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Central Eurasia SUPPLEMENT

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Economic Issues

Glazyev Evaluates Economic Situation as 'Alarming'

95F50134B Moscow DELOVOY MIR in Russian
10 Jun 95 p 4

[Article by Sergey Glazyev, chairman of the Duma Committee for Economic Policy: "The Situation Is Extremely Alarming," first paragraph is introduction]

[FBIS Translated Text] Recently well-known government figures, in particular First Deputy Premier Anatoliy Chubays, are making statements to the effect that the country is beginning little by little to overcome its economic crisis. Moreover, they say, there is a small—one percent—growth in production. Chairman of the Duma Committee for Economic Policy Sergey Glazyev presents another point of view. According to him, the committee has at its disposal official results of the development of Russia's economy for the past five months of the year which allow them to conclude that the statements about the approaching long-term economic stabilization are nothing more than a bluff. Speaking before journalists accredited to the Federal Assembly he said:

The statements which government representatives are making today indicate one thing: They do not know what is really happening in the Russian economy. In fact, it is impossible to talk about the approaching stabilization either according to inflation rates, or the dynamics of industrial production and agriculture, or according to microeconomic indicators.

The latest summaries say that there was no growth in the output of industrial production in May. The average daily output of industrial production last month dropped 3.2 percent in comparison with April. This is the main indicator characterizing the dynamics of industrial production. Metallurgy was the only sector where some production increase occurred. The increase is connected with a seasonal factor and also with expanded export, which, in a word, has already been reflected in the drop in world prices for metallurgical products.

What is the situation by sector? The drop in machinebuilding for the five months of the year comprises 12 percent. In the fuel and energy complex and the processing industry it fluctuates from 5 to 15 percent. The situation with the production of consumer goods is even worse. For certain goods the drop has been 30-40 percent. Agriculture's status is especially bad. The output of animal husbandry products, for example, dropped 30 percent in comparison with last year.

What kind of stabilization can we talk about under these conditions?

Now about inflation. It is being held at an inadmissibly high level—8 percent. I recall that, according to government predictions, average monthly inflation was to be no more than 2.5-3 percent and no more than 5 percent in the first quarter. In the first quarter it was almost 10 and in the second, I repeat, 8 percent. This means that citizens who are connected to the budget, workers in spheres such as education, medicine, the defense industries, etc. are facing during 1995 a decrease in their real incomes by approximately 5 percent per month.

Why is inflation so high? A more appropriate question is what happened during the recent stabilization of the ruble exchange rate.

I would like to direct special attention to the fact that in April we had a direct fantastic increase in the prices for natural gas—by 36 percent. This became the most powerful factor in the growth of inflation. In May the increase in prices for energy and fuel comprised almost 20 percent. I do not know what brought this about. The fact of a blatant abuse of a monopolist position on the part of Gazprom is obvious. This should be brought to the attention of the Antimonopoly Committee.

Now a few words about the population's incomes. We have information attesting that real wages decreased 30 percent in comparison with the same period last year. This is a very large decrease which is taking place against the background of a growing differentiation of the population according to income. Today 10 percent of citizens do not have enough to eat and 30 percent live below the poverty line. The dynamics are such that those who do not have enough to eat and those who are starving will become 30 percent of the general number. We are already facing cases of suicide due to hunger. There are well-known instances where children are beginning to eat the food intended for livestock.

There is a further worsening in the financial situation of enterprises. The share of unreturned credit increased 30 percent. There is practically no monetary capital to go into the sphere of production stimuli. Moreover, the profitability and liquidity indicators of industrial enterprises are at an inadmissibly low level, approximately 5-6 percent lower than the level of security.

The growth in the ruble's rate of exchange going on against this background looks like an economic absurdity. Such a growth can only be explained under conditions where there is an increased efficiency of production. If there is no increase in efficiency, then the increased exchange rate of the national currency will lead to speculative factors, the tendency of which cannot be long term and is extremely dangerous. We saw from the example of "black Tuesday" what artificial support of the ruble exchange rate leads to in conditions of a

high growth rate of domestic prices. In the long range this will unavoidably lead to the increased attractiveness of imported goods, and the demand for currency to purchase the imports will grow. At the same time, as long as additional rubles, which are currently piling up in the bank, will not be able to find a use in the sphere of material production, the threat of a counter wave will begin and the demand for foreign currency will rise sharply. This could lead to a repeat of "black Tuesday," but on a much greater scale.

All of this is very dangerous. In essence, in the next few months we are risking serious destabilization in the monetary-credit sphere along with a drop in production.

This is the economic situation in the country at the current time. It can be evaluated as extremely alarming.

***Deputy Economy Minister Assesses Economic Outlook**

954E1122A Moscow MOSKOVSKIY KOMSOMOLETS in Russian 14 Jun 95 p 2

[Interview with First Deputy Minister of Economics Sergey Vasilyev, compiled by MOSKOVSKIY KOMSOMOLETS correspondents Andrey Lapik, Yuriy Ryazhskiy, Natalya Cherkasova and Yana Yurova: "I Cannot Guarantee Anything"]

[FBIS Translated Text] It is a strange time. Since the middle of May, the exchange rate of the dollar has been dropping, and ruble prices are rising. And this despite the fact that the level of inflation last month was rather low.

What kind of craziness is going on in the economy? We addressed this question to a professional...

[Vasilyev] In fact, this, to put it more precisely, is associated with the specifics of policy of recent times. The most important is the abrupt change in priorities of financing the budget. Up until the present time, until '95, a significant part of the deficit was covered by empty money, which was printed by the Central Bank. This led to obvious inflation. Russian currency, as compared with Western, greatly lost out in value. Although the real buying power of the ruble was much lower than it should have been under normal conditions.

At the beginning of this year, the government in fact refused to take new credits from the Central Bank. The budget deficit was covered primarily at the expense of emission of securities and through foreign credits.

What happens when the state stops printing rubles? It becomes clear that there is a shortage of rubles, the demand on them grows, and it becomes necessary to sell currency.

And at that moment there is a switching over. While up until this time currency fulfilled the role of securities, which protected against inflation and at the same time made it possible to pay for purchases, now everything changes... As soon as the dollar begins to drop, both the public and the banks try to rid themselves of it. And the more they sell, the more the exchange rate slips downward. This is "Black Tuesday" in reverse.

[Correspondent] Alright, but prices also rise at the same time...

[Vasilyev] Because, as with any anti-crisis program, first the national currency stabilizes, and then the prices go down.

The Poles fixed the exchange rate of the zloty at a monthly inflation rate of 50 percent. Within half a year, it dropped to 1 percent. And during this time, the dollar there was devalued by two times. In principle, nothing special happens to the market, especially since the ruble is at the present time greatly undervalued in our country. If we measure, as does Illarionov, then it is about 40 percent of the buying power of the Americans, in their prices, if not more.

[Correspondent] That is, we should understand that today the dollar should cost about 2,000 - 2,500 rubles (R)?

[Vasilyev] Realistically, devaluation may occur on the average by 1.5 times. If we presuppose that the dollar will be stable in our country, then theoretically by the end of the year it will drop in value by about 20 percent. Although it is very difficult to predict anything today for the long-range future.

In general, this mechanism is self-regulating. Today, for example, we have a very high positive trade balance. Up until the present time, currency has either left the country or been "frozen" in investments. Today the situation is different. Dollars go into circulation and become cheaper, while import is increasing. There is an increase already not in the speculative, but simply in the commercial demand on currency.

[Correspondent] And does inflation also regulate itself?

[Vasilyev] You must understand, all those rubles which the CB [Central Bank] is today placing in circulation, unlike the old ones, are of a different nature. They are backed by a currency reserve, so that the CB always has something to counterpose to these rubles on the market.

[Correspondent] As we recall, the government promised to reduce inflation to 3-4 percent by May...

[Vasilyev] Yes, inflation has behaved not quite as we had planned. Of course, it is declining today, but not quickly enough.

In the first months of this year, significant inflation of expenditures was allowed. We should have increased the budget revenues, opened and liberalized the economy to the end. But what did we do? We liberated foreign trade, and prices on oil went up in our country, which had previously been artificially held down. Prices also rose on gasoline, electrical power, and transport...

In fact, there is such a thing as public confidence in the government programs. If the confidence is present—this in itself is a most important anti-inflationary factor.

Very many world economic programs were based specifically on such confidence. Yet in our country even a very strict credit-monetary policy was accompanied by very low public confidence in the government. Public surveys were conducted on this topic... We need at least half a year of success in the economic sphere for this situation to change.

[Correspondent] How can we speak of confidence if public savings, which were previously transferred into dollars, begin to melt before our very eyes? At the same time, ruble prices continue to rise...

[Vasilyev] Specifically speaking, neither the government nor the Central Bank ever promised to support the American currency. This happened regardless of our will.

Today the dollar is dropping, and this too is not at the will of the government. But the market is reacting, and the CB is forced to implement a strict policy.

The government should be blamed not for the fact that the dollar is dropping or rising, but for the fact that there are no other assets which could replace it. The dollar is such a remarkable security in Russia which has acquired two properties: First of all, it is highly liquid, and can be bought or sold anywhere. Secondly, it protected public savings against inflation.

After the dollar declined in our country, the government should have given the people something equivalent in exchange. This "something" is well known—state securities for the public. Minfin (Ministry of Finance) did not do this, and this is an oversight which is hard to explain.

Even worse is the policy of interest rates of the Sberbank [Savings Bank of Russia]. The public still trusts the Sberbank as before, yet it is acting incorrectly: Instead of increasing interest rates on investments, it keeps lowering them.

[Correspondent] The bad thing is not that the rate is negative, but that it is unpredictable...

[Vasilyev] We should have issued bonds on which the rate would be fixed for a rather long period of time.

The public would have gladly brought their money to the state.

[Correspondent] Yet instead, they practically chased the public and its money into a corner...

[Vasilyev] Not only the public. At the present moment, even the banks have nowhere to go. The entire financial market was held up by foreign currency: As soon as the currency market collapses, there is immediately a significant reduction in income. For the most part, today banks should be investing in production. But only after breaking down a certain psychological barrier. In our country, they are not used to working this way...

[Correspondent] No one ever taught them to work this way...

[Vasilyev] Nevertheless, it is difficult to imagine a better time for investing in production than right now. The decline in production has more or less stopped. Areas of growth have emerged in the economy, where money can be invested. But how the financial market will react to this—that is difficult to say.

[Correspondent] And what is your personal prediction—where can all this lead?

[Vasilyev] On the whole, my prediction is positive, because in principle the CB has already accumulated and continues to accumulate a good currency reserve. Inflation will decline in the Summer—the strict credit policy will yield results. The main critical point will be the Fall. For the CB and the government, the primary task is to endure these months. Remember October of 1994: The inflationary wave was entirely provoked by "Black Tuesday."

[Correspondent] In other words, you believe that "Black Tuesday" was a random occurrence?

[Vasilyev] No, how could it be a random occurrence? It was a regularity. However, I would like to say that even then it could have been avoided by purely technical means. But today the situation is entirely different. The CB has all conditions for quelling any speculative wave, and also for punishing the speculators most harshly.

So that if we ensure stability of the currency market in the Fall, then we will keep inflation within the limits of seasonal fluctuations.

[Correspondent] In that year, the CB also had sufficient currency in reserve. It is just that it let the situation slip by. What guarantees are there that such a thing will not be repeated?

[Vasilyev] I cannot guarantee anything in our country. All kinds of things happened, everything happens, and anything can happen. We expect that in the Summer there will be a decline in the exchange rate of the dollar, which will then be replaced, I hope, by moderate growth.

Today we have an interesting situation in which, despite the strict credit-monetary policy, there is no industrial decline. We are going much longer than predicted. I believe that we have a chance of putting a complete stop to the decline in production already this year.

[Correspondent] You said that we must formulate Russia's image in the West. In principle, there are many regions where the Western investor may find application for his money—South America, Asia, Eastern Europe. Does Russia not want to, or is it unable to get on this list?

[Vasilyev] Russia wants to. After all, who turns down money? It is also that, with this money, new technologies always come to the country.

But unfortunately, it is difficult for us to expect a large influx of investments in the nearest time. In the West they are afraid of the uncertainty associated with the upcoming elections in our country.

I believe that this situation will not change radically prior to June of '96. Although I, in principle, have never held the viewpoint that the West is a helper to us in this sense. We must rely on our own resources.

In the USSR, the standard of savings was 36 percent, while today it is 24 percent. Yet in all countries, in England and in the USA, it is around 20 percent. In other words, our volumes of savings are rather large, as before. It is another matter that they are being ineffectively utilized...

***Expert Economists on Ruble/Dollar Situation**

954E1112A Moscow MOSKOVSKIY KOMSOMOLET
in Russian 14 Jun 95 p 2

[Unattributed article: "The Dollar Has a Long Way To Go"]

[FBIS Translated Text]

1. How would you characterize the situation with respect to the dollar? How is it possible to explain that the dollar is falling, while inflation is rising?
2. What events will develop in the future and do you not foresee a new "Black Tuesday" in the near future?
3. What is your prediction for the dollar's exchange rate on 1 October of this year?

Sergey Glazyev:

1. The central Bank is artificially restraining the drop in the ruble's exchange rate, even though, in the conciliation commission of the government and the State Duma on the budget, a decision was made to lower the ruble's exchange rate in conformity with the rate of inflation. As a result, there began a process of currency dumping, which is restraining the drop in the ruble's exchange rate against the background of the increase in prices. This is stimulating the flow of available monetary assets from currency assets into ruble assets. This TsB [Central Bank] policy is of a speculative nature because this is not backed by any rise in production efficiency.

2. Stabilization of and even a certain increase in the ruble's exchange rate will lead to an increase in the profitability of importing and a decrease in the competitiveness of goods in the domestic market. As a result, there will soon be an increase in the demand for currency for import purposes, which will cause a reverse wave — the dumping of rubles in exchange for dollars. So that a "Black Tuesday" effect is quite possible.

3.

Boris Feodorov:

1. An artificial shortage of rubles in the market has been created. The Central Bank stopped extending credit to the budget, while the government has been taking in the lion's share of the money from the market using GKO's [State Short-Term Bonds]. When there are not enough rubles, the demand for dollars decreases. So that the strengthening of the ruble is a process which is natural under such conditions. This phenomenon is a temporary one, the government will quickly increase emission and the drop in the ruble's exchange rate will resume. Meanwhile, a difference of 60 percent exists between domestic and world prices. So that the dollar has room to depreciate and the ruble has room to strengthen.

2. Most likely, the next "black day" will not be a Tuesday, but rather, a Thursday. I will not give a specific date yet. It is better that I share my views with my friends so they can earn a little more.

3. By 1 October, the dollar's exchange rate will rise to 6,000 rubles [R].

Andrey Illarionov:

1. There is nothing surprising in what is occurring. For the last half year, the Central Bank has been quite deliberately devaluing the ruble and overstating the exchange rate for foreign currencies. As a result of which — it has added to its own reserves around \$4 billion, while the population has paid for all this by

being forced to buy goods for 10-15 percent above their actual value.... Now the main thing is that the pulling down of the Russian citizens' psychological barriers has begun. The reforms, the money exchanges and inflation — over the last few years, the authorities have firmly discouraged the population's faith in its own national currency. And everyone has gradually become firmly convinced that the ruble is being treated like a whore, while the dollar is still the dollar even in Africa.

2. "Black Tuesday," as is well known, was a completely planned event and this is why it is almost impossible to talk about whether or not there will be a new one. Let us put it this way — if the government decides to do it again, it will do it, in spite of everything.

3. Here there are quite a few "ifs" ... It may be assumed that, by October, the dollar's exchange rate will be within the range of R5,000-5,500.

Petr Aven:

1. The dollar is falling and will continue to fall — this is normal and a tightening of the government's fiscal policy is occurring.

2. It is difficult to say. If the exchange rate rises artificially, then "Black Tuesday" may be repeated by spring.

3. This is like a game in a casino, where a choice of black or red is offered and, moreover, this is not for publication.

Boris Khorev:

1. The dollar's exchange rate can well be controlled. Inflation is growing and will continue to grow in connection with the government's unhealthy policy. In May and June of 1995, they gave an additional sum to pensioners, teachers and scientific associates — the population's money-supply capacities have been increased again. If you add to this the extent of the Russian ruble's devaluation since the beginning of the year, then a doubling has occurred.

2. I personally see no need for jolts like "Black Tuesday" or others of such scandalous nature.

3. I think that the seasonal nature of inflation will depend not on the actual economic situation in the country, but rather, on strikes, speeches and pressure on the government. Personally, it is my opinion that the dollar's exchange rate will be R5,500.

Mikhail Zadornov:

1. The drop in the dollar and the increase in inflation are processes which are only partially interconnected. The causes here are various. At a certain moment, it turned out that the earning potential in the currency

market was lower than that in the State Short-Term Bond market and that currency transactions were less profitable than ruble deposits in banks. This led to the fact that both enterprises and natural persons began converting their own currency accumulations into rubles in order to deposit them in the banks or to put them into transactions in the State Short-Term Bond market. If the State Short-Term Bond market's earning potential decreases, and it is already now close to the minimum, then the dollar will probably begin to increase again.

2. If we look ahead, then a rise in the ruble's exchange rate is something quite dangerous. It will lead to a decrease in exporting, which will result in additional depression of business activities in the country itself. It is also necessary to consider the following circumstance: in the first quarter and the beginning of the second, many expenditures specified by the federal budget were funded only partially. All the same, these expenditures must be made, if not in the spring, then in the fall. But the end of summer — the beginning of fall — is also usually a period of large seasonal expenditures. I.e., objective conditions may arise for a repetition of "Black Tuesday."

3. It would be possible to name some figure, for example, R5,500 to the dollar, but the fact is that, in this instance, it is almost impossible to predict: the exchange rate will depend on the government and the Central Bank and they are predictable only to a small degree.

Yegor Gaydar:

1. There is nothing miraculous or surprising. In January, the government chose the path of a significantly harsher fiscal policy or, to put it simpler, it stopped printing money. Sooner or later, a crisis should have occurred. Inflation and the currency exchange rate are phenomena from a single area, but they have different time lags. The current level of prices has been determined by the first months of this year.

2. Everything will depend on the further actions of the Central Bank and the government in the currency market. If the present policy is not changed sharply by fall, then, in principle, there can be no kind of "Black Tuesday."

3. No more than R5,500.

***Duma's Deputy on Capital Repatriation**

954E1070 Moscow DELOVOY MIR in Russian
5-11 Jun 95 No 21, p 6

[Interview with Yevgeniy Fedorov, State Duma Committee on Security member and subcommittee on economic security chairman, by Sergey Modestov, under

"Actual Interview" rubric; place and date not given: "Repatriation of Russian Capital: A Parliamentarian's View"]

[FBIS Translated Text] [Boxed item] Our data:

Yevgeniy Alekseyevich Fedorov—State Duma deputy from Leningrad Oblast; born 11 May 1963; graduated from Leningrad Academy of Military Construction; served in Afghanistan; married; hobby: scientific-technical inventions (holds over 40 patents). [end box]

Today, it is highly unlikely that anyone would disagree that the main forces ensuring Russia's national interests are concentrated not in the military or political-diplomatic sphere, but in the economy. Under conditions of deep structural crisis, the general state of protection for Russia's basic national interest is determined most of all by opportunities for stable and secure economic development.

In connection with this, we became interested in the opinion of a person who is directly and most seriously concerned with ensuring economic security. It was this that brought Sergey Modestov, DELOVOY MIR correspondent, to the State Duma Committee on Security, to Yevgeniy Fedorov, chairman of the subcommittee on economic security. The recently adopted State Duma decree "On the Adoption of Measures for the Protection of National Interests" (No. 738-1) was the direct reason for his conversation with Yevgeniy Alekseyevich. The questions addressed to Yevgeniy Alekseyevich, who kindly responded to the request to share his ideas with our readers were devoted to the problem of "capital flight" which inspired our parliament to adopt this decree.

[Modestov] As the December elections move ever closer, our political life becomes noticeably more active. Isn't Decree No. 738 a kind of political gesture intended more to demonstrate the State Duma's concern for the problem of the loss of national capital abroad? Are there not grave doubts as to whether or not this decree will be realized?

Indeed, I don't want to put you on the spot immediately—forced by a journalist's insistence to comment on a decree that has already been adopted—but let's at least examine the reality of this decision, its history, and the circumstances that gave rise to it.

You, as chairman of the subcommittee on economic security, are probably well aware of the actual situation concerning "fleeing" capital. How big is this phenomenon?

[Fedorov] For a long time, the State Duma has been working on the question of forming the legislative base for repatriating financial assets that have been taken abroad with the goal of investing them in the Russian economy. A few words about this problem.

In recent years, over \$100 billion has been transferred to Western banks and deposited there, legally and illegally. There are also funds in these banks intended to cover unforeseen state expenditures and large organizations; hard currency removed through offshore companies; and finally, the greatest amount of capital: \$30-40 billion belonging to the Russian shadow market.

[Modestov] What is the position of State Duma deputies? How do legislators propose to restore societal control over the movement of capital?

[Fedorov] At the beginning of the year, a group of State Duma deputies prepared a draft law that would declare amnesty for persons who had committed unlawful acts connected with sending finances abroad. It dealt with declared monies that had been placed in Western banks, violations of the law on currency regulation, and tax evaders. As the authors saw it, the goal of the draft law was to create an interest among the owners of currency that had been transported to the West in reinvesting it in our economy by freeing them from the threat of criminal persecution.

This draft law, as well as the draft decree on the procedure for its application, was written by the interested ministries and departments—the Ministry of Justice, the Ministry of Finance, the Ministry of the Economy, the MVD [Ministry of Interior], SVR and others. Most of the reviews note that the documents presented are in need of conceptual reworking. Several interesting proposals have been introduced that are being carefully studied.

The serious work of creating a legislative and normative base that would reliably block the channels that now carry currency abroad lies ahead...

[Modestov] What channels are those?

[Fedorov] They are, for example, artificially lowered prices for goods delivered so that the difference between the real price and the one indicated in the passport for the export business deal can be affixed and left abroad. These shadow deals add up to as much as half a billion dollars yearly.

Cases where foreign currency is allotted under fictitious contracts and transported over the border are not rare, and naturally, no products arrive from abroad. According to Central Bank data for last year, up to half a billion dollars was transported in this manner each month. A

total of nearly \$6 billion over the entire year was taken over the border through import operations. Barter operations are widely used in the transfer of currency out of the country.

The complex financial situation in which the country finds itself forces us to search out non-traditional ways not only of shutting down the escape channels but of returning the financial assets that are now located abroad.

[Modestov] What does current Russian law have to say about this?

[Fedorov] For now, there is a single legal act that touches upon, but far from exhausts, the problem of Russian investments abroad—the Law on Currency Regulation. We can also cite an existing, but already outdated, normative act: Decree No. 412 of 18 May 1989, "On the Development of Economic Operations of Soviet Organizations Abroad."

It applies to the period when the foreign trade monopoly was beginning to dissolve and organizations had been granted the legal right to engage in investment operations abroad.

Because it dealt mainly with state organizations, a relatively strict procedure for interdepartmental approval was established for them to govern the transport of funds abroad by managing subjects (as a rule, as a contribution to the charter capital of a joint stock company that was actively forming with the participation of Russian capital).

The lack of a modern legislative base, developed in detail in the corresponding sub-law acts, today has led to the point where the single state register of Russian investors abroad that is maintained by the State Registration Chamber of the Ministry of the Economy is far from complete (at the end of March, only 347 Russian enterprises were counted in it), since it has no legislative prerequisites whatsoever. As a result, our investors cannot take full advantage of their rights, which could be protected much more effectively under different circumstances.

After all, investors abroad join together, create associations, acting through such well known organizations as the API [Association of Industrial Investors], Great Britain's department of export credits, and other organizations that work to encourage, stimulate, insure investments, while our businessmen function on their own, subject to all kinds of discrimination. For example, they are not permitted to document their Russian workers, although, according to current international legal norms they should be extended that right. It is for this reason that the idea of the necessity of an Associ-

ation of Russian Investors Abroad is gaining more and more supporters in financial-industrial circles. Generally speaking, today in Moscow or any other city, it is possible to purchase a foreign company that is ready to go and essentially become a Russian investor abroad.

[Modestov] Are there other normative-legal regulators for the movement of Russian capital out of the country, levers that could be employed to control that process?

[Fedorov] Recently, a point (162-8) was added to the Criminal Code (Article 162), which stipulates criminal liability for concealing funds in foreign currency. There also exists joint instruction No. 19, issued by the Central Bank and the [words illegible], which provides for 100-percent control over the return of export earnings. The tax police, the Federal Currency-Export Control Service, the MVD and the FSB [Federal Security Service] are responsible for this. I do not wish to say that this entirely resolves the problem, but it does narrow the field for possible abuses.

Of the other regulatory documents, I will cite Central Bank letter No. 51, which provides for implementation of control over imports. In the case that currency is transferred abroad, freight and customs declarations must be presented to an authorized bank in 180 days.

[Modestov] What was the fate of the recently discussed draft of an amnesty for managing subjects who have transported their capital abroad illegally?

[Fedorov] The draft was the subject of serious criticism, and this is understandable. After all, it is basically dealing with monies that have evaded taxes and that have been deposited under the most favorable conditions. Creating similar conditions in Russia is the principal manner in which the problem of the outflow of Russian capital abroad can be solved, but tax reform is a special subject, one that is extraordinarily important and extremely difficult.

For now, we can and we must organize at least elementary control over the movement of capital. We must set up, for example, an effective registration of offshore companies, and we must interest investors in creating their own association.

Let us return to the problem of "dirty" money. In the opinion of experts, a declaration of amnesty will, instead of waging a battle against the laundering of criminal earnings, profits from criminal activities (the drug business, the illegal arms trade, violent crime, etc.), signify that we, in fact, are declining our international obligations, with consequences that will be extremely unpleasant for our country.

The wish to return finances that our motherland needs so much is understandable. The public is following the fate of the lost billions very attentively and with great interest. Perhaps this is why the plan connected with the amnesty was unsuccessful and aroused the parliamentarians to react, at least in some manner, to the vital problem of capital flight. That is how State Duma Decree No. 738-1 appeared. I have no delusions as to its effectiveness.

Indeed, I have no quick recipes. I would like to take advantage of the opportunity to appeal to DE-LOVOY MIR's readers with the proposal to cooperate in the search for acceptable solutions. Our subcommittee would carefully study recommendations and suggestions offered by business people who care about the country's future. I would like to thank you for the interest your newspaper has shown. I wish you and your readers success!

[Modestov] Thank you for giving us this opportunity and for this interview, which is of undisputed interest to our audience.

***Prospects for Financial Market Stabilization Endangered**

954E1097A Moscow IZVESTIYA (FINANSOVYYE IZVESTIYA Supplement) in Russian 15 Jun 95
No 41 p 3

[Article by I. Doronin, adviser of Moscow Interbank Currency Market: "Narrow Nature of Financial Market Threatens Stabilization Prospects"]

[FBIS Translated Text] **Effect of Financial Changes on the State of the Economy is Analyzed by Igor Doronin, Advisor of MMVB (Moscow Interbank Currency Market)**

It proved impossible to bring down the high growth rate of consumer prices in May. The rise in retail prices was on the order of 8 percent, which is slightly above the April level of 8.5 percent. Such continuing growth may be explained by two reasons.

First is the leveling out of the dynamics of wholesale and retail prices. In the first few months of 1995 the growth of wholesale prices determined the retail prices. In the first quarter the rise in price for raw and other materials, acquired by enterprises for their operation, amounted to 72 percent, while the rise in consumer prices came to 48 percent. Shipping rates increased by 58 percent, which, in addition to everything else, caused shipping costs to rise in the overall expenditures of the enterprises. In the second quarter the rise in wholesale prices began slowing down. Still it is difficult to expect a significant slowing down in the rise of retail

prices inasmuch as enterprises, the producers of finished products, will continue including increased expenditures on production and shipping costs in the retail prices.

Second, the sale of currency by commercial banks, enterprises, and the population is a factor maintaining the rise in prices. Currency accumulations of the population, enterprises, and banks are not included in the calculation of the ruble money supply. Correspondingly the sale of currency on the domestic currency market leads to a swelling of the ruble money supply. According to our estimates the growth of money supply in May, because of the sale of currency, amounted to almost as much as in April, i.e. 5-7 percent.

The sale of currency may assume significant scales in the summer months. Beside the action of traditional factors of the summer period—sale of currency by the population during the period of summer vacations and a decrease in demand for currency under conditions created by a slowing down of business activity by enterprises—conditions on the currency market will be influenced by the growing unprofitability of keeping dollars in connection with a drop in their exchange rate. In April the dollar exchange rate rose by 4.5 percent whereas in May it dropped by 2.7 percent.

The drop in the dollar exchange rate in May would have been more significant if not for operations of the Central Bank which purchased currency on the market. In that connection there appears a completely logical question: where does the Central Bank get the money to buy dollars on the currency market and are there any financial limitations on the purchase of currency? The question appears to be sufficiently important if one is to speak about the pressing need to create a symmetrical mechanism for the support of the foreign exchange rate of the ruble to the dollar on the currency market.

The tendency toward movement of inflation and the dollar exchange rate in different directions causes certain macroeconomic consequences—first of all on the level of bringing domestic prices closer to world prices. Change of price proportions on the domestic and world markets will inevitably affect the structure and dynamics of foreign trade, and through foreign trade, it will influence overall market conditions.

In the first quarter of 1995 the change in proportions of domestic and world prices occurred under the influence of unevenness in the growth of domestic prices for individual commodities as well as fluctuations in the level of world prices in dollar terms in connection with the significant drop in the dollar exchange rate on world markets. At the same time in the first quarter the role of the exchange factor was insignificant inasmuch as the rates of growth of the dollar exchange rate on the

currency market actually corresponded to the rates of domestic inflation.

Thus, at the end of March the level of domestic prices for coking coal, motor vehicle gasoline, diesel fuel, phosphoric acid, butadiene, granulated sugar, animal oil, and other products, rose above those on the world market in terms of dollars at the current rate. Domestic ruble prices, for instance, for butter in the first quarter rose by a factor of 1.8 and for granulated sugar by a factor of 1.5, which led to their rise in dollars. At the end of March, domestic prices for granulated sugar in dollars exceeded world prices by 2 percent. Domestic prices for other goods, for example, the prices for nonferrous metals, approached world prices. With regard to some other goods, on the contrary, a lowering of domestic prices in terms of dollars was observed.

The influence of the exchange factor on correlation of domestic prices to world prices showed an increase in the second quarter. Domestic prices rose on the average in terms of dollars by 4-5 percent in April and by another 9-10 percent in May. Such rates of drawing together the prices on the whole appear to be sufficiently perceptible, particularly for the consumers. Regarding foodstuffs, the rise of domestic prices up to the world price level was observed for 50 percent of the goods being monitored in January 1995, for 70 percent of the goods in March, and for practically all the goods in April and May. The introduction of customs duties as of 1 July 1995 may generally raise the average price level for foodstuffs in terms of dollars to a level above world prices, while the income level of Russian citizens is far from the world level.

With downward dynamics of the dollar exchange rate, the prospects of Russian exporters will depend on how well they succeed in restraining the rise of domestic prices for their products through rationalization of production, lowering of production costs, and improvement in the competing ability of products being produced. Import pressures in turn will compel non-exporters to also show concern for the competitive qualities of their products on the domestic market.

Such a development in the situation makes it necessary to conduct serious structural reforms. On the whole the time appears to be sufficiently favorable. Economic forecasts at the present time are not as pessimistic as they were earlier. A certain growth has even been noted in some types of production. The problem of nonpayments has not assumed a sharp crisis as it did in the middle of 1994. Commercial banks are manifesting growing interest in crediting production.

The problem of financial support of structural reforms will depend to a significant degree on the situation on

the financial market. The state of affairs in that sphere is highly extraordinary. A decrease in profitability of GKO (government short-term bonds) is observed along with that of the interest level on interbank credit. At the beginning of April the average profitability of GKO in secondary trading amounted to 140-150 percent per year, whereas by the end of May it was down below 100 percent. The MIBOR [unidentified] rate for three-month interbank credit went down from 160-175 percent per year at the start of April to 115-125 percent at the end of May, and for one-month credit—from 135-150 percent to 85-100 percent. At the same time the monthly rates of inflation during that period amounted to 8-8.5 percent, which in annual terms equals 250-260 percent.

It is absolutely clear that profitability of GKO and the level of market interest rate have a negative significance, but the investors and creditors can reconcile themselves with this if they feel confident that inflation will be going down to an acceptable level which will help them avoid losses. The assurance of the government that by the end of the year inflation will be down to 1-3 percent is a psychological factor in the outstripping decline in the level of interest and profitability.

However, when a diversion between the predicted and actual level of inflation appears and intensifies, the situation on the financial market becomes explosive. When interest rates and profitability go down, the exchange rate of the dollar falls while rates of inflation actually remain unchanged. The question arises whether there is a critical threshold below which the situation will begin developing in the opposite direction. In our opinion such a critical threshold exists. That is indicated by experience gained in the second half of 1994, when serious changes occurred in conditions on the currency market in connection with the weakening of the financial and monetary-credit policy.

It appears that state organs responsible for the financial and monetary-credit policy will be confronting two problems before the end of 1995. The first one is how to avoid a possible "collapse" of the dollar exchange rate on the currency market in the summer months. The second one is how to avoid a possible "collapse" of the ruble exchange rate in the autumn months.

The situation on the financial market at the beginning of the summer cannot help but cause concern. Profitability of operations with currency assets on the currency market in May acquired a consistently negative value. Periodic "dips" in the dollar exchange rate increase the size of the negative values. At the same time the profitability of GKO operations goes down somewhat slower. Thus, in the first 10 days of April the average profitability of operations on the currency market was

on the order of 100 percent, whereas the average profitability of operations on the secondary GKO market was on the order of 140 percent. The difference was 40 points in favor of GKO. In the final 10 days of May the average profitability of operations on the currency market amounted to minus 46 percent, while profitability of operations with GKO was 106.3 percent. The difference was 150 points, having more than tripled as compared with the beginning of April. On 1 June it reached 300 points.

The prospects of the financial market in the autumn will depend in many ways on events of the summer period and the development of the macroeconomic situation. The cumulative gap between the rates of inflation and the dynamics of growth of the dollar exchange rate may make itself known in any case.

The narrowness and undeveloped nature of the market itself prevents elimination of the growing tension on the financial market at the present time. The intent of the government to initiate issuance of new securities in June may become an important step in the development of the financial market. Their emission and mobilization of additional funds into the budget will undoubtedly consolidate the financial policy of the government. Conducting monetary privatization—selling blocks of securities belonging to the state—could also be an important channel for the mobilization of funds into the budget. So far its results are disappointing. The presidential edict of 11 May 1995, which envisages a decrease in the purchasing cost of land owned by enterprises by a factor of 20 and a transfer of 80 percent of the funds from privatization to local budgets, is designed to activate the process.

Along with the government, enterprises are also starting to claim resources of the domestic money market. Until recently the administration of enterprises ("domestic owners"—administration and labor collectives—possess up to 70 percent of the shares) for the most part was not interested in active work with securities, in the attraction of additional capital by sale of shares belonging to them, or in new emission, inasmuch as that threatened loss of control over enterprises. At the end of last year and the beginning of this year the administrations of 70 percent of auctioned enterprises expressed their lack of desire to sell shares or carry out additional emission, while 30 percent were ready to sell shares on the condition that control over the enterprises would remain in their hands. Many commercial banks, in turn, are prepared to actively credit enterprises on the condition the current administrations, which they see as not likely to make any improvement, are replaced.

Changes in the macroeconomic situation place domestic enterprises under rigidly competitive conditions. Quite naturally they begin looking at problems concerning the attraction of capital in a new way. Potential investors, in turn, under conditions of declining interest rates and GKO profitability, are beginning to take a closer look at enterprise securities, which makes it possible to expect an upturn in the activity of both issuers and investors.

Decree on Changing Composition of Ministry of Economy

95P50134A Moscow ROSSIYSKAYA GAZETA
in Russian 20 Jun 95 p 3

[Government Decree of 9 Jun 95 No 569: "On introducing amendments into the Russian Federation Government Decree of 28 March 1994 No 240"]

[FBIS Translated Text] The Government of the Russian Federation decrees:

In partial change in the Russian Federal Government decree of 28 March 1994 "On the Ministry of Economy of the Russian Federation" (Collected documents of the President and Government of the Russian Federation, 1994, No 14, p 1057) to allow the Ministry of the Economy of the Russian Federation to have 10 deputies, including 3 first deputies, and a collegium of 20 people.

[Signed] Chairman of the Government of the Russian Federation

V. Chernomyrdin

***Information Technology Role in Economic Development, National Security**

954E1091A Moscow PRAVDA in Russian 14 Jun 95
p 2

[Article by Vladimir Shimko: "Information—The Mother of Intuition"—An Effective Economy Is Impossible Without Integration and Advanced Technologies"]

[FBIS Translated Text] We can assess the results of the sociopolitical transformations of recent years in a variety of ways. But hardly anyone would argue the fact that the practical results of the reforms are today sharply manifest, on the one hand, in the elimination of the system of total management and establishment of the outset conditions for the formation of market relations, and on the other, in economic crisis where the process of reform presents itself as one not to be accomplished over the course of 100 or 500 days. Such an environment requires a systematic assessment of the true state of affairs, economic analysis on the basis of which an integral economic program of the subsequent stages of transformations must be formulated. These, in

turn, must be supported by effective management based on modern information technologies and prediction of the social consequences of each stage.

Adaptation to the market of industrial radioelectronics, one of the base industrial systems determining the pace of scientific-technical progress and Russia's economic and military might, requires interpretation of the entire aggregate of economic processes of the transition period. The new stage of reforms sets as its objective the stabilization and further development of production in the new market environment.

Analyzing preceding stages of the reform process, we can assert that macroeconomic processes are generated and stimulated by the activity of the highest legislative and executive structures of the state—the president, the parliament, and the government. While regional problems are expressed through administrative structures formed in the localities and supported by the electorate.

As a result, microeconomic processes, i.e., the activity of direct-production structures whose operational results determine subsequent significant decisions in both the macro- and regional economy, have turned out to be poorly coordinated with the latter and are therefore most unprotected in the face of the macroeconomic, and to a lesser extent regional reforms being carried out. From this point of view the prospects for development of radioelectronics, of its production-technology capabilities under market conditions, are significant.

Industrial radioelectronics develops and produces goods and services for personal consumption (televisions, radios, and other household items), complex modern radioelectronics output determining the development and functioning of practically all industrial systems (science, production, transportation, communications, trade, etc.), military radioelectronics, and modern information technologies providing powerful support to scientific, production, banking, tax, law enforcement, federal, regional, and many other structures. Moreover, virtually all output produced from this sector has dual use capability, i.e., with certain additional technical and technological specifications, it could be used in a variety of military systems.

This means that potential sources of financing the radio industry include virtually all industrial-economic, defense, federal, regional, and local structures, as well as the wholesale commodities market, when these are operating under stable conditions.

It is evident that the reestablishment of competitive output production based on advanced technologies in our present-day situation can be achieved only on the basis

of precisely developed special-purpose programs, with rigid coordination of the activity of all the main specialized production structures, and under strict discipline, taking into account recognition of the market interests of each entity, with an understanding of unity of purpose, and naturally, under conditions of equilibrium with respect to macroeconomic, microeconomic, and regional processes. It is in this manner that industrial radioelectronics can begin to operate in the foreseeable future based on the scientific-production capacities and collectives of experts that have been established over decades. All of this will secure the economic and defensive might of Russia.

It is necessary to emphasize in this regard the role of effective management, particularly that of integration processes within the framework of the CIS primarily. Without these, it would be difficult in the present social environment to reestablish in a short period of time the forces of production created previously in all countries of the Commonwealth.

Entry into the market has turned out to be quite painful for Russia, and has developed into prolonged crisis, insofar as not yet having the required economic concept of a transition period and the appropriate accompanying economic theory and reasoning, structures of authority at various levels have often rejected controls in their economic practice and have adopted all kinds of so-called market-regulated decisions.

The adverse economic situation in the country has prompted a search for alternatives in extricating ourselves from the existing crisis, in an environment where large-scale experimentation using the "trial and error" method is becoming virtually unacceptable and the aims of the new stage require analysis of the causes of the crisis phenomena. Landslide production decline has taken place in the radio industry due to alteration of the economic space—disintegration of radioelectronics enterprises situated in the territory of all republics of the Soviet Union, disintegration of ties with the East European countries, former CEMA members, significant reductions in state requisitions and, as a result, of sources of financing for most enterprises, Russia's dislodgement from Third World markets, etc.

Following elimination of the Union departments, enterprises of the radio industry were joined within the Russian State Committee for the Defense Industry. With the aim of adapting to market economy conditions, the majority of them decided to create an industrial corporation in the form of the joint-stock company Radiokompleks, which about 100 scientific and production organizations joined. This decision was based on the experience over many years of enterprise management, which under-

stood the consequences of the developing processes of disintegration in industrial radioelectronics—a sector intended to deliver intellectual output to all industrial and defense structures.

The leadership of Radiokompleks realized that in the existing environment, its enterprises would become fully accountable for the final results of their actions, and that with respect to the macroeconomic processes influencing their activity, they must corporately develop proposals for state structures. The corporation that was established in constructive cooperation with the State Committee for the Defense Industry enabled us to halt processes of disintegration and begin formulating the logic of future actions of enterprises based on advanced technologies. As is the case throughout the world economy, its basis consists of methods of concentrating tremendous financial resources to establish major industrial systems that will operate on the basis of research-intensive and labor-intensive processes.

As far as Russia's existing economic situation is concerned, the primary question becomes how, using what structures, what methods, and in what volume it is possible to concentrate financial resources so as to ensure that the scientific-technical and economic policy necessary for the country under market conditions will be carried out. It is important during the transition period to take into account the fact that the modern market economy of the end of the 20th century with free enterprise is not anarchic, but predetermines with urgent need the diverse forms of administration: legislation, taxes, competition, forecasting, marketing, economic incentives on the part of the state, professional management of entrepreneurial and financial structures, tight management within the framework of the firm itself, etc.

This means that the most important scientific and practical objective of economic reform is to determine market boundaries and ascertain what methods will be used to enter the market without destroying, but instead developing previously established forces of production.

Experience shows that the optimal economic result of reforms, one that ensures not only economic growth but social stability, prosperity, and improvements in people's lives, cannot be attained purely through the action of spontaneous market forces or, as Adam Smith expressed it—through the "invisible hand" of the market, which supposedly automatically brought the modern economy of the end of the 20th century into a state of equilibrium. This means that in the present environment there is no rationale under which radical withdrawal of the state from the economy undergoing reform would be advisable; at the same time, no

authority of reformers can cross a certain boundary of social costs that reforms bring to the people.

A highly integrated sector, the radio industry has suffered more than others as a result of processes of disintegration. It is precisely in this regard that it gravitates more than the others towards economic integration and the reestablishment of cooperative ties. This means that in securing its self-reestablishment, the radio industry must be the initiator in restoring the economic integration so essential to countries of the CIS and Central and Eastern Europe, without which further development of their own scientific production potential first and foremost, and their high labor productivity and competitive production output, cannot be ensured in the foreseeable future.

Under the complex circumstances of the country's transition from all-encompassing (total) planning and centralized distribution to market relations, money again becomes the regulator of economic interaction among production entities. Thus, information technologies in the finance and credit sphere have become a necessary attribute of the modern market economy. It is regrettable that this problem has not received the treatment it deserves in virtually any published economic program, although the information-computer revolution has become an obvious historic fact in all the industrially developed countries. A modern market economy depends to a determining degree on the state and dynamics of development of information technologies.

Information technologies comprise an exclusively intellectual, industrial, and social phenomenon of the second half of the 20th century, having played a major role in surmounting crisis phenomena in the market (capitalist) economy. Concepts of information as an economic resource began to take shape relatively recently, in the '50s and '60s. But it is in more recent decades that its significance has grown to such an extent that today the high level of economic and social development of an entire number of states is defined by the term "information society."

Today expenditures on information technologies are linked in our management structures with additional investments, which do not provide income in the short term and which do not appear in each specific instance to be high-priority either for state structures or for the entrepreneurial structures that are being formed in the country. However, this cannot be termed effective policy.

In this regard, it seems advisable within the framework of reforms, and not in expectation of the results of evolutionary development, to make attempts to halt the decline, first and foremost, and then develop means of sta-

bilization, revival, and further development of the previously established industry of information technologies. This should ensure the entire minimally necessary program of information support for market relations among all entities of structures undergoing reform, and should also stimulate producing and market-stimulating structures to increase their effectiveness and reduce the expenses of production and circulation. In addition, computer technologies are an effective means of forming stable budgets at all levels based primarily on sophistication of the tax system, and on significantly reducing the influence of the shadow economy.

Questions of the development of such research- and labor-intensive sectors as computer equipment and communications facilities, comprising the basis of information technologies, are closely related to the unusual problems of concentrating intellectual, labor, material, and monetary resources. For these purposes, we should determine the organizational structures that will be able to accomplish complex research- and labor-intensive processes, insofar as modern computer technologies can be created on the principles characteristic of energy, military-industrial, road transportation, law enforcement, and other systems functioning in major states. But for the time being, attempts are being undertaken to downgrade the importance of these problems and resolve them to the extent possible, primarily on the level of small- and mid-size business mainly through the purchase abroad of information processing systems (personal computers, for the most part) and the adaptation of related software.

We can assert that information systems are today a resource comparable to capital and labor, and serve as an important factor in resolving problems of national security.

P.S. I would like to take this occasion to express my sincere gratitude to the editors of PRAVDA, to all its collectives and employees, who responded with sympathy to the death of my father.—V.Sh.

***World Bank, Economy Ministry Disagree on Economic Situation**

954E1116A Moscow KOMMERSANT-DAILY
in Russian 15 Jun 95 p 3

[Article by Andrey Sinitsyn: "Nonpayments By Russian Enterprises Are Causing Arguments: The Ministry of Economics Has Held a Conference With the World Bank"]

[FBIS Translated Text] The two-day conference entitled "Russia: Economic Policy and the Restructuring of Enterprises," which has ended in the city of Pushkin near Petersburg and which was organized

by the Russian Ministry of Economics and the World Bank, turned out to be a rather original one. The representatives on the Russian side were constantly surprised at the optimism of the World Bank experts, who were convinced, for example, that there was no nonpayment crisis in Russia, generally speaking. The position of the Ministry of Economics was quite different—there is a crisis, but it can be overcome, including with the help of World Bank investments. The disappointment was noticeable when the Bank representative declared that it is generally necessary to count on domestic investments during a transitional period.

The conference that was held can be considered an extremely notable event in Russian economic policy. Representatives of the Russian Government (including Sergey Vasilyev, deputy minister for economics, and Andrey Kazmin, deputy minister for finance) and officials of the World Bank met as scheduled. In addition, Russian and Western experts, who are engaged in an extremely specific problem—analyzing Russian industrial enterprises—gathered together for the first time.

It was determined rather quickly that the parties regarded Russian enterprises quite differently. It was funny to see how Zhil Alfandari [name as transliterated] from the World Bank tried to convince Mstislav Afanasyev from the government commission for nonpayments that there is practically no nonpayment problem in Russia, since overdue trade credits, although they have reached significant amounts, are, however, observed in other countries in much larger amounts. After this, Mr. Afanasyev explained to Mr. Alfandari that the Russian authorities consider not overdue debts as nonpayments, but simply a refusal to pay for delivered goods, which usually does not happen in other countries. A similar discussion occurred after each report by the Bank representatives. As one government expert stated: "We live in Russia, and that is why we understand the system better."

Practically only one question did not cause an argument. In its report, the World Bank established that budget subsidies to Russian enterprises, whose canceling it has insisted upon for a long time, are, nevertheless, very great (6-7 percent of the GNP) and, as before, absolutely do not help the restructuring of enterprises, since they are being used for current expenditures and the covering of financial losses. The Russian officials agreed with this; however, having pointed out that the guilt here lies not so much on the federal government as in the regions, "whose budgets are fatter than the federal one," and that they are being used more actively for the uncontrolled subsidization of enterprises.

Nevertheless, in any event, the Russian side strove not to strain relations during the conference—in the end, no matter how poorly it understood the Russian specifics, extremely serious hopes for the attraction of investments were placed on the World Bank. After the Russian experts convinced the Western ones that a nonpayment crisis, nevertheless, does exist in Russia, Sergey Vasilyev said with rare optimism that the government would overcome it in a very short time: "The task is quite realistic, because, for example, the situation this year is better than last year. During 1996, it is possible, in principle, to see to it that all payments

are made on time." Moreover, he expressed confidence that the government will finally be able to eliminate budget subsidies to enterprises.

However, it is not ruled out that the hopes for the bank's investment assistance are somewhat exaggerated. Its representative stated at the end of the conference that during the transitional period of any country, including Russia, it is generally necessary to count on domestic investments mainly. The Russian participants in the conference looked clearly disappointed by this thesis.

Nonpayments By Russian Enterprises: The View of the Ministry of Economics and the World Bank

	Ministry of Economics	World Bank
Overdue debt to suppliers (overdue commercial credit), as a percentage of GNP	3.7	7.5
Overdue debt of enterprises for tax payments, as a percentage of GNP	1.5	2
Indebtedness in paying wages, in days	40-45	10

*Communist Entrepreneur Vladimir Semago Profiled

954E1083A Moscow ROSSIYSKIYE VESTI in Russian
10 Jun 95 p 11

[Article by N. Popova: "In the Duma—a Communist. In the World—a Capitalist"]

[FBIS Translated Text] Virtually everyone of any importance in Russia, from government officials to movie actors, has visited the Moscow Commercial Club owned by deputy of the State Duma Vladimir Semago. Thus far only two very popular individuals—Boris Yeltsin, the current president of Russia, and Mikhail Gorbachev, the former president of the USSR—have not visited.

The owner of the club, one might say, is there practically every day. If one does not know Vladimir Vladimirovich personally it is easy to walk right by as it is difficult to recognize "the shark of capitalism" in that modestly dressed person (a nondescript striped shirt and jeans). Generally speaking, the reins of government are not in his hands but are held by his wife, Olga. Even though all reference publications continue to assert that Mr. Semago, V. V., is the owner of the Moscow Commercial Club, which contains a casino and three restaurants with Russian, French, and Slavic cuisine, do not believe that. Everything is being managed by Olga Valentinovna Myasnikova-Semago.

Mr. Semago is one of the most mysterious figures in the Russian State Duma. He is not a poor man, probably even rich, but belongs to the communist faction. He has been in the party since 1977. He has not changed his convictions and never left the party ranks. Nevertheless he has a free and easy relationship with both Gennadiy Zyuganov and with Andrey Nechayev. He has cordial relations with Mikhail Shemikin, whose lithographs decorate the walls of the casino. The circle of friends of Vladimir Vladimirovich includes Nikita Mikhailov, Aleksandr Masllyakov, Yuriy Nikolayev, and Aleksandr Lyubimov. He was also friendly with the late Vlad Listyev as well.

Even though in the State Duma, particularly during heated debates, some will occasionally say in his direction: "Semago, invite me to your casino to gamble!" He is not offended by his colleagues. So what if morals in our Duma are like those in a communal kitchen?

This extraordinary person has a very curious background. He was born 48 years ago in Harbin (the father of V. V. was a pilot). Inasmuch as the war with the Japanese had just ended, there was no civil authority in the city and the child was registered at the American consulate. He came into the world in an American hospital. His parents had lived in many cities and villages. Fact remains fact: Vladimir Vladimirovich nevertheless graduated from school in Moscow. Then he attended the Moscow Construction Engineering Institute. What

is notable is that while he was attending the institute he played on the KVN [TV program] MISI [Moscow Civil Engineering Institute] team together with Genadiy Khazanov and Leonid Yakubovich. After the institute he worked at construction sites below Moscow, then worked in the Capital Construction Administration of Goskominturist [State Committee on Foreign Tourism].

In 1979 he also graduated from the All-Union Academy of Foreign Trade as an international economist.

For Semago, 1987 was a turning point when, together with three young people, he opened a cooperative sausage shop. It became the prototype of the Moscow Commercial Club. Vladimir Vladimirovich's club in time became the first of its kind of exclusive club in Russia and it was very popular. In 1991 for instance, many receptions were given at Semago's place by Andrey Kozyrev, the minister of foreign affairs, since the Ministry of Foreign Affairs of Russia at that time did not have the high-rise building on Smolensk Square.

The Moscow Commercial Club was visited for meetings, seminars, and plenums by Yuriy Luzhko, Oleg Lobov, and Yuriy Petrov. All ministers of foreign affairs of Europe also crossed the threshold of Semago's club. Such sparkling evenings were and are held at the Moscow Commercial Club! For example several days ago presentation of the MEDVED magazine was held there. The key figure at the presentation, of course, was Nikita Mikhalkov.

The food at Semago's place is very delicious, but Vladimir Vladimirovich himself will not eat at all after 1800.

"After all, I am no Gaydar, Nechayev, or Chubays. They are all young; they have to eat supper after 1800 as well. I usually go jogging during that time and engage in sports. I have to. I have a young and beautiful wife."

By the way, about Olga Myasnikova. It is said that she is really an amazing woman in many regards: she is just as beautiful as she is smart. Olga Valentinovna is a graduate of the Institute of International Relations. She is also the original source of the family's material wealth. In 1984 she was the co-owner of an Indian company, which allowed Vladimir Vladimirovich to expand his operations in 1987.

They have an 11-year old son Danila.

"A terrible loafer," his father says. But it is quite possible that V. V. is somewhat partial since he himself works almost 20 hours a day and demands the same of others.

The family spends its vacations—a whole month—in Cyprus.

It is Vladimir Vladimirovich's dream to eventually own a horse in order to be able to go horseback riding occasionally, forgetting about cars. So far that dream has not been realized but another one, nurtured for many years, has become reality. Semago built a cozy and comfortable home for himself in the suburbs.

How does he spend his days off? Rather, his day off (Saturday is a workday). He visits the gym at the Radisson-Slavyanskaya Hotel with his son. The Sunday lunch is another sacred ritual. On the whole he is rather indifferent toward food. His favorite concoction, from early childhood, when after the holidays there was usually a lot of leftover food, is to mix fried potatoes with groats and macaroni and eat that with a fried egg on top. Delicious! He loves to eat alone, which is quite understandable since people are around him a lot every day.

Vladimir Vladimirovich's club is situated in Moscow, on Bolshaya Kommunisticheskaya Street, which brings additional smiles (or sneers), but he pays no attention to that. He loves to cite as an example one well-known English landowner who professes socialist principles. That Englishman has extensive hunting lands and a beautiful castle, but he is a socialist. Semago has the Moscow Commercial Club and he is also the co-owner of an enterprise producing building structures and a partner in one of the Dutch firms which has good trade relations with Russia, and he is a communist. A riddle? Karl Marx, I am certain, would shake his hand warmly, if he could.

***Government Privatization of State Property Challenged**

954E1083B Moscow SEGODNYA in Russian
30 May 95 pp 7-8

[Article by O. Romanova: "State Duma Jealous of State Property Ownership"]

[FBIS Translated Text] Last week Sergey Burkov, chairman of the Committee on Property and Privatization of the State Duma, made a remarkable announcement the essence of which boils down to the following: the government in general and the State Committee on the Administration of State Property in particular have no rights or special powers at all in the management of state property.

Sergey Belyayev, chairman of the State Committee on the Administration of State Property, was not silent for long and accused the legislators of interfering in the

affairs of the executive power branch and lacking necessary legislative backing of the deputies. (This is quite natural; in the stage involving restructuring of property and with the start of the election campaign, lack of legislative regulation of certain norms is advantageous to forces both on the right and on the left, which facilitates the restructuring of property in a great variety of directions.)

The sides have been in a slugging match over a hopelessly long period of time, but the claims of the deputies did acquire a special meaning: first of all in connection with the government support of the idea of a consortium of banks issuing credits secured by state blocks of shares; and second with the summarization of the results of fulfillment of the federal budget in the first quarter. This combination apparently compelled Mr. Burkov to visualize a logical chain of events: the government cannot manage state property; the amount of planned budget revenues from privatization has been made up; and the federal budget readily survives the nonreceipt of the planned 9,125 trillion rubles [R] from privatization. The last link of that chain is based on "calculations of a number of expert organizations and Glazyev's committee," which indicate the lack of coordination between real inflation and the level embedded in the prediction of economic and social development. By the end of the year inflation will amount not to 1-2 percent but 4-6 percent per month. Consequently budget revenues will be higher, and if the budget has a shortfall amounting to R9 trillion "that would not be so terrible especially since the sum of revenues from privatization is not large relative to all budget revenues. If one looks at figures for the current year, we see that in the first quarter we received revenues from privatization at the level of R38 billion, in four months it was R50 billion (and in three years of privatization—R1.6 trillion, but figures err in their incomparability—O.R.). Therefore I shall not condemn the GKI [State Committee on the Administration of State Property] for nonfulfillment of the privatization plan."

Of course, the appeal of a legislator not to fulfill the law on the federal budget adopted by him appears quite strange, particularly against the background of the presidential decree to ensure the guaranteed receipt of revenue from privatization in the budget. Sergey Burkov's reasoning, however, his accusations against the consortium and the GKI, as well as proposals concerning the management of current state property, received serious support of highly influential Duma committees (Economic Policy Committee, Committee on Economic Reform and Property Relations, and others).

Such a presentation of the issue, naturally, suits very well the interests of "surrogate owners"—directors of state enterprises and companies, a significant block of whose shares belongs to the government.

Mr. Burkov's main argument consists of the fact that in principle the government cannot view the proposal of the banking consortium "or any other scheme connected with distribution of state blocks of shares of privatized enterprises." Thereby it assumes executive functions and that violates the Constitution, which does not state who is the owner in the name of the state—the government, the GKI, or, you never can tell, the State Duma.

It is characteristic that none of the contenders for management of state property are up to speed as to what they are about to manage. GKI has far from completed work on preparation of the register of state property. That pertains to state enterprises and blocks of shares which are indicated in the proposal of the banking consortium, as well as real and other property which brings revenue in the form of, for instance, lease payments or dividends. More than that, today no one can really say how the amount of revenues into the state budget from the management of state property compares with real revenues from its utilization.

The bank consortium in the face of ONEKSIMbank specialists, which also submitted a table of state blocks of enterprise shares to the government that may be transferred to trust management, made some very serious mistakes (if they are mistakes and not a hint) concerning both the size of the state blocks of shares of the largest Russian enterprises and the possibilities of managing them (see SEGODNYA, 18 and 23 May).

The deputies, however, have washed their hands of this completely. "For two months we could neither refute GKI nor submit our own calculations of revenues from privatization," the chairman of the Committee on Property and Privatization lamented. "We received a completely non-binding marketing survey from the GKI, as a result of which the much mentioned figure of R9,125 trillion appeared and we were able to come to an agreement with it only concerning the retention of state blocks of oil holdings in 1995."

An international conference under the heading "Appraisal of Property: Problems, Practice, and Prospects of Development" is to start today under the aegis of the Committee on Property and Privatization. It is noteworthy that not one of the branches of government power are capable of appraising government property either quantitatively or qualitatively. Let us make the reser-

vation that the nominal appraised value is known and in accordance with such an approach, the government does not really have that much. For instance, with regard to the TEK [Fuel and Energy Complex] companies, the nominal value of the state block of shares comes to R26.5 trillion. If one is to proceed from the market value, in accordance with various expert appraisals, that amount is somewhat higher.

At the same time domestic experts, by contrast with western ones, in appraising the value of the property, do not take into account shares and predictions of their price variations as well as reserves owned by the company. The price of shares today in American and British companies fluctuates within limits of \$4-6 per barrel of known reserves, whereas in Russian ones it is \$.40-.80. Large Russian firms have already or are now undergoing an international audit independently, without the help of the consortium, planning to distribute their blocks of shares. Nevertheless, so far not a single Russian company has employed the procedure of listing itself on international markets.

Specialists of the Duma committees mentioned above propose their own concept "of effective management of blocks of shares secured with state property." The largest number of supporters have a mechanism that proposes formation of certain management companies— independent legal bodies, which, "under certain conditions, having insurance funds, may receive government blocks of shares in trust." That proposal is vividly reminiscent of the infamously defunct Gosinkor idea of managing state property under the cover of declarations concerning compensation of pre-reform savings of citizens.

There is one more scheme: a private state holding company is created which holds blocks of shares. We already have such an experimental monster—the Rosugol state enterprise—which also is the holder of a block of shares, receives income from those shares, and at the same distributes the state subsidy. Naturally, the interests of Rosugol, which in essence is a holding company, frequently do not meet either government interests nor interests of the producers.

A certain sense of gratification is produced by the intent of Duma members "responsible for privatization" to nevertheless sell a very small part of the government block (not more than R1 trillion) on the basis of a tender: "We want to find an effective manager or sell with maximum effectiveness, perhaps through a bank, but when on one side there is the consortium and on the other side is the government, a basis for agreement between them may always develop."

***Air Transport Director on Sector's Performance**
954E1084A Moscow VOZDUSHNYY TRANSPORT
in Russian Feb 95 No 2, pp 1-3

[Interview with Vadim Valentinovich Zamotin, director of Air Transport Department of RF Ministry of Transport; date and place not given: "I Have Faith in the Future"]

[FBIS Translated Text]

[VOZDUSHNYY TRANSPORT] Vadim Valentinovich, somehow it has already been more than a year and a half since you last addressed the readers of our magazine. At that time, in June 1993, you discussed the fundamentals of reform in Russian civil aviation with a view to the market economy and the primary objectives of the Air Transport Department. Now it is 1995. Therefore, we can assume that many changes have taken place since that time. Can you give us a brief account of the work that has been done? Furthermore, we would like to keep the discussion as objective and open as it was the last time. After all, neither the overdramatization of the situation nor the deliberate understatement of current problems can help; either of these would only create doubts in the minds of our readers.

[Zamotin] You are absolutely right: We need frank and honest discussion. Otherwise, we will only obscure an already ambiguous situation, which certainly is not in my interests as the department head.

Therefore, I will start by expressing my opinion that the main achievement in this interval was our ability to essentially secure the relatively steady work of air transport and satisfy the aviation needs of the national economy and the population. Despite the exceptionally abrupt severance of earlier economic ties and many other difficulties of the transition period, air transport never became a deterring factor in the Russian economy. As part of theasilyevich, any state—and we know this from world experience—must begin its economic ascent with an economically sound and legally secured state land policy. Does Russia have this kind of policy?

[Komov] A state can only have a land policy when it has a reliable legal and economic mechanism for the regulation of land relations. I want to stress that this must be a state mechanism, and not a private, collective, or cooperative one.

What will this entail? Above all, we need a law—the selfsame Land Code. It, after all, will serve as the basis for a whole set of other laws. Therefore, even a slight delay in passing the code could lead to many months of procrastination in the passage of the whole group of

land laws. It is a pity that many State Duma deputies do not understand this.

[Shcherbakov] Do you really believe they do not understand this?

[Komov] I would like to believe it. After all, they are supposed to be statesmen, and state interests should prevail over the immediate group interests of politics.

[Shcherbakov] Nikolay Vasilyevich, would you agree that the majority of deputies, not to mention their constituents, simply do not comprehend the very concepts of land policy and land relations? For this reason, I would like to ask you to explain these terms to us and tell us about the set of documents which will, we hope, be passed soon.

[Komov] I cannot disagree with your statement. I should start by saying that the land not only provides us with food and drink, but also with living space and shelter, protecting each individual and the state as a whole. That is why we have to appreciate the value of every inch of territory—our rural and urban lands, our bodies of water, our forests, and the territories used by the defense complex. This is extremely important. After all, any physical asset is of a temporary nature, and only the land is eternal—this is how it is viewed virtually throughout the world.

Here is just one example. Four years ago a major land appraisal project was completed in China, and it turned out that the nominal value of the land was greater than the value of the whole national economic infrastructure. In other words, everything the Chinese people had created over the centuries could not compare to the value of the land. A new and tremendous asset is being circulated there, and it could be the basis of today's rapid economic growth in China.

[Shcherbakov] Is that why Russian agriculture is sometimes referred to as a "black hole," because it is based on a free gift—the land?

[Komov] That is the precise reason. If the land were to have a price, and if it were the actual price, no one would ever dream of referring to agriculture in such contemptuous terms. I am certain that when everyone, including everyone in the Russian Ministry of Economics and Ministry of Finance, knows the actual value of the land, there will be no more talk about the debts of the peasants. I am certain that the state itself will be in debt to them, and it will have to pay them if it wants them to feed the country's 150 million people.

Before anyone can answer any questions about the value of Russian land, we have to make careful studies of the state of the land, know exactly how much land there is,

appraise it accurately, and include the cost in the value of fixed capital. That is why the passage of another law—"On State Land Valuation"—is so important. It has been drafted and is scheduled for discussion by the State Duma.

[Shcherbakov] Fine, let us be optimists and assume that the Duma will pass this law and that it will go into force. Then what?

[Komov] Then each person who owns land will have to be registered. Records will have to be kept of how much land the person has and of the grounds on which he acquired this land—i.e., what he can and cannot do with it. This is extremely important. We have to remember that the Russian Constitution says that the land is the property of all the people living within a given territory. Therefore, no one has the right to do whatever he wants with the land. Incidentally, this is common practice, and the rule is observed scrupulously everywhere in the world.

The most important condition of land relations is the demarcation of property. I repeat, the most important. For this reason, as soon as we know the current state of the land and the value recorded in the land valuation register, the exact boundaries of separate parcels of land must be determined as soon as possible. The land has to belong to someone—the federation, the municipality, or the federation member. In connection with this, another draft law has also been prepared "On State and Municipal Lands."

I have to point out that each of these laws individually and all of them combined will be strong and effective only when there is a normal mechanism for the state-controlled circulation of land—in other words, a land market. I want to stress that this must be a state-regulated market.

[Shcherbakov] Nikolay Vasilyevich, you probably will agree that a market is still a market even if it is enveloped in state regulation. Everything in a market, obviously, is for sale. Does this mean that the land can be sold freely?

[Komov] Regrettably, you are not the only one laboring under this misconception.

This misconception is essentially impeding the passage of land laws. I will try to give you the clearest explanation possible.

I should begin by pointing out that all of our efforts are focused on turning the land into capital, and everyone knows that capital is something to be conserved and accumulated, and not something to be squandered.

Now I can address the misinterpretation of the land market as a series of purchase and sale transactions. It is a fact that no state in the world ever got rich by selling land. This eventually leads only to ruin. The land market primarily consists of taxes on land, taxes on operations with land, purchases of land for state needs, the sale of state lands and property rights, the leasing of land, and so forth. Everyone has to pay for the land, even if only in kopecks.

In a state-regulated land market there must be a strict fifty-fifty balance of interests. In other words, state interests must be balanced completely with the interests of the landowner. If this fragile balance is disrupted, we will return to chaos and neglect in our land relations.

As far as the land tax is concerned, it has to be fair and must be based on the so-called first and second rental fees—i.e., for the quality of the land and for its location. One rent factor should work for the state, and the other should work for the owner. All of this is necessary so that the income from rent in, for instance, Rostov Oblast and the Kuban can be sent to the devastated non-chernozem zone—to Tver and Pskov oblasts, for example.

Now I want to say a few words about land leases. Mankind has never come up with a sounder and more effective mechanism for the state regulation and management of land relations, and I do not think it ever will. The Germans, for example, believe that leasing the land in the eastern territories is much more effective than private ownership of the land, and they are right. It is more convenient, after all, for the state to lease land to those who want land and are able to work it—private farmers, cooperatives, and other users. In this case, they strive for the maximum efficiency of their own labor so that they can earn enough to make a profit, achieve expanded reproduction, and pay the state for the lease. To this end, our committee prepared a draft law "On Leased Land."

[Shcherbakov] But where will the peasants get the money? They have no money to pay for a lease, or even to buy equipment, seeds, fuel, and everything else they need to raise crops and care for livestock.

[Komov] All of that is true. The rural communities are dreadfully poor, but 80 percent of our agricultural land is already privately owned. This represents colossal amounts of capital. Unfortunately, until we know the value of this capital, we cannot make use of it in the proper way. An effective market mechanism has been developed for this purpose and is working well throughout the world—the use of land as collateral. With a short- or medium-term mortgage on part of his land, after all, a peasant could acquire everything he

needs for his work. The peasant himself has no other way of getting money quickly. A mortgage is nothing to fear. The thing to fear is the possibility that the bank holding the mortgage might become the owner of the land. Incidentally, many commercial banks do not even want this to happen. That is why a whole system of specialized land banks will be needed, but this does not mean that they will have to be established from the ground up. Existing banks can be encouraged to provide this service by issuing them licenses for operations with land from the Central Bank and our committee.

The whole process will be of integration will this be?

[Zamotin] We feel that 8-10 extraterritorial airlines, licensed for international flights, should operate in the main federal air lanes. They should be carriers with sufficient financial and production potential and should have access to various types of aircraft. What will this produce? It will result in the reduction of operating costs by an average of 30 percent, the augmentation of their own sources of funding through expanded reproduction, and more effective competition for the improvement of their transport services. Unfortunately, we still do not have the necessary legal standards and integration mechanism, or even the proper understanding of the inevitability of this process by some administrators. It is the job of the Air Transport Department, as a state administrative and regulatory agency, to coordinate this process. The work is being conducted actively in the Komi Republic, Krasnoyarsk Kray, and other regions with the direct participation of the administrations of Russian Federation members. Russia can only stand up to large foreign airlines if it acts in accordance with the national interest in the air transport market. I have said this before and I will say it again: Common sense and economic laws must prevail, and so must the interests of Russia. This will, of course, take time, carefully tested economic methods, and the necessary forms of government regulation.

All of this, however, will only make sense if the privatization and issuance of stock in enterprises are continued. To date, stock has been issued in only 64 of the 97 enterprises slated for this process in accordance with a Russian Federation presidential edict. There are several difficult problems connected with the distinctive features of civil aviation and the branch administrative structure. Above all, there is the problem of anti-monopoly structural reform by means of the separation of airport complexes from air transport enterprises. Sixteen large federal airports have already become separate entities. The rest are either in the process of stock issues and privatization or will enter this stage soon. There are some other problems connected with restructuring and with the creation of autonomous air

traffic control subdivisions. Nevertheless, some progress has been made, in spite of all of the delays and difficulties.

I have to stress that stock issues and privatization are not a magic cure for all ills. The distinctive features of the transport system presuppose active state participation, because transport serves the national interest. The controlling block of stock cannot benefit the air transport collective in itself. Air transport is distinguished by the predominance of state property. Financial well-being can be achieved by means of a carefully planned commercial policy on the part of airlines and airports.

[VOZDUSHNYY TRANSPORT] The state of affairs with regard to flight safety is a matter of great concern today. What would you, Vadim Valentinovich, cite as the reasons for the present level of safety on air transport, and what kind of measures will the department take to correct the situation?

[Zamotin] It is true that there are major difficulties in this sphere. I can tell you some of the main reasons, which are interrelated in most respects. The first reason is that some companies used the move to market relations as an excuse for laxity in the observance of flight regulations and requirements. The idea that "everything that is not prohibited must be permitted" has obscured the line between acceptable and unacceptable practices. In some cases the standard requirements have ceased to be immutable laws. Another reason is the obsolescence of the park of airplanes and helicopters, which precludes the necessary guarantees of reliable operation. Socioeconomic factors have also done much to lower the safety level. Delays in settlements between enterprises and unjustified refusals to allow planes to land on auxiliary airfields have resulted in deliberate violations of flight regulations by flight crews in several cases. There are also other reasons connected with the instability of Russian life and the loss of traditional points of reference in the work of pilots.

The Russian Federation Ministry of Transport and Air Transport Department are taking radical measures to increase the safety of flights. They constitute a whole group of organizational, technical, legal, and other measures to prevent accidents. In particular, these have included the drafting of specific proposals on more severe disciplinary and administrative penalties for legal offenses in air transport, statutes on the discipline of air transport personnel, on airports, and on the state register of civil airfields, new instructions and other regulatory documents, and the certification of air transport specialists in flight safety. The Main Inspectorate for Flight Safety will play a much more important role and will have broader rights and obligations. The inspectors

of regional air transport administrations will have more authority. The measures to improve flight safety are to be financed by creating the "Russian Fund for Safety in Air Transport." There will be regular checks of air transport operators with regard to their implementation of the decisions of the Russian Ministry of Transport Collegium and the department council on flight safety. The activities of air transport enterprises and companies will be monitored more closely, particularly during the process of their separation and incorporation, when less attention is likely to be paid to many key safety issues. The flight safety inspection boards of regional administrations will have a much larger staff. Finally, a special flight safety program has been drawn up and will serve as the basis for all of the efforts on all levels for the radical improvement of flight safety along with the Program for the Development of Federal Airports and the Statute on the Re-Equipping of Civil Aviation with New Aircraft.

Vigorous measures of a preventive and prohibitive nature are being taken. This applies above all to the operators who ignore the requirements of regulatory documents and are responsible for violations of the established procedures for organizing, securing, and carry out flights. The certification and licensing system is serving as effective leverage in this field. After these inspections were conducted, for example, the Air Transport Department had to revoke or suspend the operating licenses of 15 airlines. Flights by more than 40 companies were temporarily prohibited. Besides this, restrictions were imposed on the operations of 36 airports, 84 aircraft were taken out of commission, and 370 crew members were taken off flight duty. These were extreme measures, of course, but we have to take such measures without any hesitation or reservation when the life and health of passengers are at stake.

Much is being done to reduce crime in Russian airports, which has a direct effect on flight safety. In fact, is there any question at all that flight safety is affected by the seizure of hostages and aircraft by criminal elements, the attempts to carry weapons and ammunition onto planes and helicopters, the setting of fires on the grounds of air transport enterprises, and so forth? This is the reason for the radical reorganization and reinforcement of the air traffic safety system in the department and on the local level, and the establishment of the necessary material and technical base and legal standards for its normal functioning. It is indicative that the federal air traffic safety system now meets the requirements of the ICAO for the first time in Russia's history.

Of course, this does not mean that we have settled all of our problems. Any claims of this kind would be unforgivably arrogant and highly irresponsible. On

the contrary, there is still a regrettably high number of unsolved problems. There have been delays, for example, in the passage of the new Russian Air Code, and this is causing delays in the reform of the rest of the legal base of civil aviation. We still cannot afford to hold onto our highly skilled personnel, particularly those with a direct impact on safety. Because of this, we are experiencing an acute shortage of flight safety inspectors with the proper training and the ability to influence the state of affairs on the local level in a fundamental and highly professional manner. The status of the Air Transport Department also needs to be clarified and reinforced. The department probably should be endowed with more specific powers and financial guarantees for the proper oversight of the safety level of airlines.

Nevertheless, we can definitely say that the situation with regard to safety in Russian air transport may present difficulties, but it is completely controllable. The Russian-American group of experts evaluating our air traffic safety system arrived at the same conclusion. Last fall this group conducted a thorough analysis of the main areas of activity of Russian civil aviation and discovered not only certain bottlenecks, but also "several strong points and promising practices warranting consideration by other countries." In particular, the group noted the extensive use of recorders on our planes to analyze and monitor the actions of crew members during flights. According to the experts, the use of this kind of analysis in combination with a scrupulous inspection program could serve as an important instrument of accident prevention.

[VOZDUSHNYY TRANSPORT] Vadim Valentinovich, you said something about the loss of air transport specialists. In all of its more than 70 years of existence, our civil aviation prided itself on its people, who never left the branch for more lucrative and comfortable jobs. Whole dynasties worked for Aeroflot. The profession of pilot was sometimes handed down from father to son, and then to grandson and even great-grandson. Now the prestige of the air transport professions has declined. Furthermore, there is no question that some pilots, especially those of the younger generation, are unemployed. Is this situation really acceptable?

[Zamotin] You are right, but only in part. It is true that the prestige of the air transport professions has declined, but this is also true of professions in other branches of the national economy. Someone once said in jest that we had become "a nation of merchants," and now this has become a regrettable fact. People have begun to think less about professional pride and more about their daily bread. This is also a result of the difficulties of the transition period, but career specialists, the backbone

of the branch, are still committed to their choice of a profession. Most of the specialists in civil aviation have performed their professional duties steadfastly, and this is encouraging.

We are in a difficult position. Some of the academic institutions of the branch, including the higher flight academies, are now abroad, in territories which have become sovereign states. That is why a Higher Air Academy was established in the Ulyanovsk Center and is expected to train engineering pilots and air traffic control engineers. A school for the training of top-level administrative personnel was opened in the Civil Aviation Academy to provide flight subdivisions with skilled managers. Several other measures have been taken to establish other fields of specialist training previously unavailable in the Russian Federation.

We are also addressing the need to train future air transport specialists in market methods of economic management as part of the regular curriculum and the need for the quickest possible adaptation of current air transport specialists to the conditions of the market economy. That is why centers for the retraining and advanced training of personnel are being opened in academic institutions in accordance with a Russian government decree.

Last year the department spent around 14 billion rubles on the training of personnel for the branch. This is a large sum even by today's standards, but interruptions and delays in financing created numerous difficulties in the purchase of aircraft fuel, in repair work, and in the payment of wages and stipends. Academic institutions will not be neglected this year either.

As far as personnel policy as a whole is concerned, it has to be transferred more decisively to the local level, to the air transport collectives. It is true that we have a problem with the job placement of young specialists, and we cannot take a routine approach to this problem. The problem has an economic dimension—the money spent by the state on the training of these specialists. It also has a purely human dimension—the frustration of the hopes and plans of the young specialists and their disillusionment with their choice of a career, which cannot be measured in terms of money. We cannot take a formalistic approach to this matter and establish the grounds for a loss of faith in the future of the branch, which would be unthinkable without the constant addition of new young blood.

There is something else I have to say: The traditions of Aeroflot—the glorious past in which civil aviators justly took pride—have not disappeared. For some reason people now feel embarrassed to talk about them. It is as if they have been forgotten, but how can people

who ignore the past think about the future? Soon we will commemorate a glorious time in our history—on the 50th anniversary of the victory over Fascism. Civil aviators were among the most active defenders of the motherland from the first day of the war to the last. All of the positive aspects of the patriotic indoctrination of air transport personnel, particularly the young personnel, once instituted in Aeroflot must be revived. I am certain that the period of preference for physical assets over spiritual values will be over soon, and if we do not remember and revive our remarkable air transport traditions, sooner or later we could lose a powerful instrument of personnel discipline.

[VOZDUSHNYY TRANSPORT] Here is the final question. It naturally concerns forecasts and prospects for the present year. What can our branch expect this year?

[Zamotin] I probably already answered part of the question, and now I will simply give you a brief rundown of the main areas of our work in 1995. Above all, we have to stop the recession, keep our main airlines, and save "small-scale" air transport. We have to continue renewing the airplane and helicopter park and developing the ground facilities of air transport enterprises. We have to institute higher flight safety standards. We have to improve the legal foundation for the regulation of air transport. Finally, of course, we have to continue taking strong measures for the social protection of our personnel and the preservation of a stable social climate in our collectives. Without this, we cannot even think about the future of the branch, much less have faith in it. I have to say that I do have faith in the future. In any case, we have already hit "bottom" in the economic sense. We have accumulated considerable experience in realistic assessments of the situation under the new economic conditions and we have a clear view of our goals and objectives. Some difficult and frequently thankless work lies ahead, but it is constructive work, and this will give us strength and confidence.

***Shipyard Activity Highlighted**

954E1065A St. Petersburg SUDOSTROYENIYE
in Russian Jan 95 No 1, pp 40-45

[Article by A.N. Khausov drawn from materials in the newspapers KORABEL, RABOCHYE SLOVO, NA TRUDOVOY VAKTE and SUDOSTROITEL, as well as advertising prospectuses and informational materials submitted to the editors by enterprises and organizations, under the rubric "Information Department": "At the Shipbuilding Enterprises"]

[FBIS Translated Text]

State Russian Center for Atomic-Powered Shipbuilding (TsAS)

The utilization of production capacity being converted remains among the chief tasks of the enterprises of TsAS. One way of solving this problem is assimilating the output of shipboard equipment that used to be supplied by enterprises of the former union republics. Taking into account the complex and sweeping nature of this work, it has been decided to launch it, by and large, for orders for new ship types.

A series of proposals has been developed at Minfin [Ministry of Finance, Minekonomiki [Ministry of Economics] and Gosoboronprom [State Committee of the Defense Industry] of Russia to improve the financing of the construction of orders, including—for all work being performed on Navy orders—the establishment of the status of the state defense order, along with changes in the system for making payments, bypassing a host of intermediate levels. The creation by TsAS of its own bank will also facilitate an improvement in the financial situation.

The board of directors of the TsAS has decided to create a Shipbuilding Educational Center based on the Sevmashvtuz Technical College and the technical schools. This will make it possible to make more efficient use of the physical plant of the educational institutions, and to increase the number of fields in which training is conducted from 16 to 40. This is important from the standpoint of the impending work to build floating drilling rigs and create other equipment under the Rossshelf AO [joint-stock company] program.

Zvezdochka NPO [Scientific-Production Association]

The association is building freighters with a deadweight of 396 tonnes, intended for coastal navigation (a modification of type 16900), at its covered dry dock. The vessels are single-decked and twin-screw, with a poop deck and elevated deck section at the bow, with the engine room and deckhouse at the stern. Their principal purpose is to deliver supplies, general and timber cargo and containers, as well as wheeled and tracked vehicles, to points on the Arctic coastline, including unprepared ones. Variations of the type envisage the installation of bow ramps or on-board devices for off-loading cargo of up to 40 tonnes.

Principal Elements and Characteristics

Length, greatest/at load waterline, meters	45.45/41.8
Beam, meters	8.8
Board depth, meters	3.3
Draft, specification/at load waterline, meters	1.87/2.5
Displacement, tonnes	748
Deadweight, tonnes	396
Cargo capacity (where T = 2.5/187 meters), tonnes	360/150 (170)
Engine power, kW	2 x 210
Speed, knots	9.5
Cruising range, miles	2,000
Sea endurance, days	10
Crew	9 (+4)

Three 25-kW auxiliary diesel generators have been installed on the vessel, along with a cargo crane with a lift capacity of 3.2 tonnes (boom radius 4/12 meters) and an anchor davit for 0.4 tonnes. The fixed-pitch screw blades have a diameter of 1.1 meters, and a frequency of rotation of 750 RPM. Two cargo holds (124 and 307 m³) are fitted with waterproof covers and hydraulic drive: the size of the hatches is 3.05 x 6.6 meters and 5.5 x 13.2 meters. The ship can transport 15 standard international containers (ISO-1S) or UUK type railroad containers.

**Northern Machine Building Enterprise [SMP] PO
[Production Association]**

Active preparations are underway at the association to organize the building of vessels and drilling rigs for oil and gas production on the Arctic shelf. The appropriate general agreement has been concluded with the Gazprom Russian Joint-Stock Company. The construction of a unique pipeline-laying vessel, intended for the manufacture and laying on the sea bottom of pipelines with a diameter of 800 to 1,200 mm, is planned in particular. The vessel is scheduled to be prepared for operational testing in 1997.

The new consumer goods of the SMP PO include the Yula-2 fiberglass recreational boat for two people. It

is 2.6 meters long and 1.2 meters wide, with a weight of about 50 kg and carrying capacity of 170 kg. The boat can be used with oars, sail or outboard motor. It is easily accommodated in the baggage compartment of a passenger car.

Business contacts with Western partners are also expanding. A contract has been concluded with the Canadian firm of (Tor)-Canada for the supply of welding electrodes. Specialists at the association are working on the incorporation of electrode markings that conform to Western standards, as well as improved quality of packaging, in order to increase the market competitiveness of these products.

Zelenodolsk PKB

The specialists at this planning and design bureau are working on the creation of a new generation of domestic hydrofoil passenger vessels. The engineering design for one variation of a vessel (Izumrud type) with automatically controlled deep-submergence hydrofoils has been approved by the Russian Marine Registry. The vessel is designed as a KM*[2]A3 class hydrofoil, and is intended for maritime passenger transport up to 100 miles from shore.

Principal Elements and Characteristics

Length with foils raised, meters	37.4
Overall beam, meters	11.6
Draft of hull/at foils, meters	1.25/3.9
Full displacement, tonnes	120
Passenger capacity	180
Speed on calm water/in level 5 seas, knots	40/36
Cruising range, miles	400
Crew	6

The main power plant is twin-shaft and designed for 16V396 TV94 diesels from the firm of MTU, which drive bypass water-jet propulsors. The welded hull of the vessel is manufactured of aluminum alloy, and the hydrofoil and lift elements are welded from titanium alloy.

The ship has three compartments for passengers, a bar and crews' quarters. The automated motion control system provides comfortable conditions for passengers, even when waves are heavy.

The new type of hydrofoil craft is planned to be built at the Zelenodolsk Plant imeni A.M. Gorkiy.

Baltic Plant AO

The building of floating nuclear-powered heat and electric power plants with a capacity of 12 MW for the Far North is planned according to a design from the Baltsudoproyekt TsKB [Central Design Bureau]. This non-self-propelled plant will be able to supply coastal regions with electric power, saturated steam, extracted and fresh water.

Principal Elements and Characteristics

Length, meters	97.3
Beam, meters	21.6
Board depth, meters	10.3
Draft, meters	5.3
Displacement empty/full, tonnes	7170/8700
Number of modular and single-berth cabins	27

The plant is expected to have two shipboard reactors that will support the operation of the main turbogenerators (2 x 6 MW) and the steam-producing installations (2 x 38 MW). The quantity of saturated steam released will be 10 tonnes/hour, and fresh water 10 tonnes/day. The operation of the plant can be supported without the movement of nuclear fuel for a span of four years. The replacement of fuel in one reactor while the other is operating is also permitted. The full service life is estimated to be 200,000—240,000 hours, with about 100,000 between major overhauls.

There are also reserve and emergency diesel generators with a capacity of 2 x 2.8 MW and 2 x 0.2 MW respectively, as well as an oil boiler with a productivity of 6.3 tonnes/hour (the diesel fuel tanks are designed for 1,500 m³).

The overall capacity of the plant can be increased to 24 MW with the same hull dimensions.

The creation of floating nuclear heat and electric power plants will allow the Baltic Plant to make use of the

rich experience it obtained in the building of nuclear-powered icebreakers and cruisers.

Avangard Shipyard AO

The Avangard Shipyard (Republic of Karelia, Petrozavodsk) is engaged in the series production of type 12961 fish and shrimp freezer/refrigerator trawlers (the Lenin-

skaya Kuznitsa/Shkhuva TsKB). The vessels are intended for the fishing and shrimping trade in coastal tropical regions using pareja and variable-depth trawls. The output of frozen and chilled product is expected. The trawlers are twin-decked diesel ships with the deck-house located forward and with a stern trawl ramp, constructed for Russian Marine Registry class KM*L3A2.

Principal Elements and Characteristics

Greatest length, meters	35.7
Beam, meters	8.8
Board depth at GP/VP, meters	3.6/6
Greatest displacement, tonnes	560
Engine power, kW	588
Speed, knots	10.7
Range on fuel reserves, days	20
Crew	17 (+3)

A 588-kW diesel at 345 RPM, with direct transmission to a four-bladed VFSH [fixed-pitch screw] in a swivel mounting, is used as the main engine. There are two 200-kW diesel generators.

Field operations are performed using an electrically driven four-drum winch with tractive force at the upper coiling layer of the dragrope reel of 2 x 30.9 kN at a hauling-in speed of 90 meters/minute; the operating length of the dragrope is 2 x 2,200 mm [as published]. Two forward and two aft cargo booms for 1.6 tonnes apiece are installed on the mainmast gantry.

Three contact-type freezing installations are located in the fishing shop on the main deck (2.5 tonnes/day apiece); there is an ice generator (200 kg/hr) for preserving the fish product. The chilled product, packed in ice, is stored in the fish hold at a temperature of -4°C, or in the freezer at -25°C.

The vessels are equipped with automation gear that supports the unattended operation of the power plant, as well as modern radio navigational gear.

The Nikolayevsk-na-Amure Shipyard AO

Refrigerated supply transport ships are a new product for which the shipyard is preparing. Documentation is being developed under a contract with the Shkhuna TsKB (Kiev) for vessels of this class with a cargo capacity of 740 and 1,130 tonnes (types 12951 and 12950 respectively), and the technological preparations for production have begun. The creation of a freighter or tanker is possible in the hull of the larger of the vessels.

The task has been posed, in the process of assimilating the construction of the refrigerated ships at the yard, of incorporating ASTPP [automated systems for the technological preparation of production] with the widespread utilization of computer technology.

The primary purpose of the refrigerated ships is the receipt of finished fish products from vessels and coastal fish-processing plants and their transport to the intended destination, as well as the shipment of supply cargo to field expeditions and port locations. The Russian Marine Registry class is KM*L1A3.

Principal Elements and Characteristics

	Type 12951 (Mago class)	Type 12950 (Preobrazheniye class)
Length, meters:		
greatest	71.4	84.6
between perpendiculars	66	79.2
Greatest beam, meters	14	14
Board depth at midship, meters	7	7
Draft at loadline, meters	4.9	4.68
Displacement (T = 4.9 meters), tonnes	2950	3660
Deadweight, tonnes	1050	1530
Cargo transported, tonnes	740	1130
Volume of cargo holds, cubic meters	1340	2035
Engine power, kW	2190	2190
Speed, knots	13	13
Cruising range, miles	5000	5000
Provision reserves, days	45	45
Power of electric power plants, kW	1200	1200
Number of and loading capacity of booms in paired operation, tonnes	4 x 3.2	6 x 3.2
Temperature conditions of holds, degrees Celsius	+5 to -28	+5 to -28

Khabarovsk Shipyard

The yard has begun the construction of the Olimpiya class passenger SPK. These are seagoing diesel vessels intended for operations in regions with moderate and

tropical climates at distances of up to 50 miles in open seas, and 100 miles in closed seas and major lakes. The vessel is designed for the Russian Marine Registry class KM*[2]A3, passenger, SPK.

Principal Elements and Characteristics

Overall length, meters	42.55
Overall beam, meters	14
Height with superstructure, meters	5.25
Draft, afloat/on foils, meters	4.5/2
Displacement, empty/full, tonnes	103/135
Passenger capacity	250
Speed, knots	37
Cruising range, miles	300
Crew	6

The passengers are accommodated in three compartments equipped with aviation-type seats, an air-conditioning system, video monitors and places to stow baggage. There is a bar in the rear compartment, and semi-open promenade areas are envisaged. The SPK maintains steady motion in self-stabilization mode with the aid of an automatic control system.

Comparative analysis shows that the Olimpiya SPKs will surpass foreign SPKs in the analogous class in their propulsion quality (8.3) and power expenditures per unit of transport productivity ($0.33 \times (\text{kW/person-knots})$), deadweight displacement utilization efficiency (0.259) and area of the passenger accommodations per passenger ($0.88 \text{ m}^2/\text{person}$). The cost of one passenger place is 32,000 dollars and one tonne of deadweight is 250,000 dollars, which are also better than the values for foreign analogues.

The distinguishing features of the Olimpiya SPKs are the reliability and longevity of the structural elements, the high efficiency of the engine at optimal economy, and the simplicity of control and servicing.

Azov Shipyard

The construction of small fishing vessels is one of the principal areas of activity of the Azov Shipyard (city of Azov, Rostov Oblast). The enterprise builds, in particular, small seiner/traulers (type 13301) that are intended for catching fish using purse seines with a stern configuration, conical nets using electric light or a trawl. The vessel class is seagoing, steel, single-screw with a deckhouse and the stern placement of the engine room, and it has four watertight bulkheads. The Russian Marine Registry class is KM*L4 I A2 (fishing), with its navigational area limited to I.

A 6ChSPN2A 18/22 diesel with a power of 165 kW at 750 RPM is used as the main engine, and it drives a four-bladed VFSH with a diameter of 1.4 meters through reverse reduction gearing. Two 2.5 kW DGP 25 M1/1500 diesel generators are the sources of electric power.

The field equipment includes an LEK-3 electric winch and an ShG-500 hydraulic capstan, as well as a fish pump and two cargo booms with a lift capacity of one tonne each. The refrigeration installation keeps a space of 52 m^3 at a temperature of 0°C to -2°C in a hold loaded with fish packed in ice.

Principal Elements and Characteristics

Length, greatest/between perpendiculars, meters	26.5/22.4
Beam, meters	6.5
Board depth, meters	3.05
Draft at loadline, meters	2.35
Displacement, empty/at T = 2.35 meters, tonnes	133.9/180.8
Cargo capacity, tonnes	35
Endurance in fuel/fresh water, days	6/10
Cruising range, miles	1800
Speed, knots	9.4
Crew	11

TsNII imeni Academician A.N. Krylov

The Nizhegorod branch of the TsNII [Central Scientific-Research Institute] imeni Academician A.N. Krylov (Chkalovsk) has developed the multipurpose Vikhr small craft/ground-effect vehicle, which is intended for the transport of five passengers and 100 kg of cargo a distance of up to 850 km. The ground-effect craft may be operated year-round on major rivers, bodies of water and in coastal maritime regions. Movement at a height of 0.2—1.0 meters is possible over water, ice and snow-covered surfaces, in shallow waters and over level solid surfaces. The dimensions of the ground-effect craft are $13.8 \times 8.4 \times 3.2$ meters, with a total mass of 2.5 tonnes, draft in the water of 0.35 meters, and total loading of up to 0.8 tonnes. Two 114-kW VAZ-4133 engines are used as the cruising engines. The takeoff speed is 100 km/hr, with cruising at 170 km/hr and a top speed of 180 km/hr. The fuel consumption in cruising mode is $2 \times 22 \text{ kg/hr}$.

The Vikhr ground-effect craft may be used in patrol, health-safety, postal and tourist versions as well.

Svirsk Shipyard

The PPL-1 catamaran-type floating timber-hoisting complex has been built at this enterprise. This is a self-propelled service craft with a displacement of 43.5 tonnes, intended for gathering logs from the surface of the water and from depths of up to six meters. It is 14 meters long, eight meters wide and has a draft of 0.6 meters. The PUM-1 special hydraulic lift device and manipulator, with a lift capacity of 2.5 tonnes at a maximum boom span of 8.8 meters, is to be installed for loading and unloading operations. The power of the shipboard electrical installation is 50 kW, with a fuel reserve of 3.4 tonnes. Two water jets, separated on the sides of the vessel, of 7.5 kW apiece with box-type rudders provide speeds of up to five knots and good maneuverability. The shipboard equipment includes an anchoring and mooring device, two winches for two and 0.9 tonnes, and a floodlight. A special retractable stop has been envisaged on its bottom for holding the craft at the shore. The catamaran has a knock-down construction (two pontoons, power and living units and the PUM-1) to provide for transport by motor vehicle or railroad. The St. Petersburg Akvamarin AO took part in the creation of the floating crane, and the Bratskiy LPK AO in the creation of the manipulator.

Ritm AO

The paramount tasks of the Ritm Intersector Scientific-Production Association, which unites most of the participants in the former Ritm NPO, include the implementation of the following projects:

- the production of lifeboats;
- the output of installations and equipment for the oil-producing sectors, in particular under the Rosshelf AO program;
- the production of a new generation of gas-cutting and laser machinery, and the organization of service support for it in Russia and Ukraine;
- the manufacture of elements of modular systems for the fitting of shipboard accommodations and shipboard furnishings;
- the building of small specialized vessels, including for tourism and sports;
- the organization of regional production of the new Drevolit structural finishing material.

The development of a list of priority scientific research and experimental design for the most labor-intensive types of shipbuilding production is also envisaged for

the formulation of a plan for joint scientific research and experimental design. The coordination of work to strengthen and restore worn parts using new technological methods, including for other sectors of industry, is also planned.

Mutually advantageous terms for the collaboration of enterprises in the association in the sale in their regions of the products of the partners, or the transfer of sets of design and process documentation, are formulated by special bilateral contractual obligations.

TsNIITS

Decree No. 649 of the Russian government of 5 June 1994 conferred upon the Central Scientific-Research Institute of Shipbuilding Technology [TsNIITS] the status of State Scientific Center of the Russian Federation. TsNIITS is charged under approved programs with the performance of basic, exploratory and applied scientific research and experimental design in such areas as the theoretical fundamentals of the elastoplastic deformation of metals, methods of utilizing energy of high density, superhigh pressure and speeds, the utilization of superplasticity and layer synthesis for the creation of new shipbuilding materials, and the optimization of modes and parameters of machining processes. The sphere of activity of the institute includes research on the theory of weld deformations, the operability and reliability of welded structural elements, and the effects of methods of cold and thermal influence on the structural properties of metals as part of the structural elements of ships.

TsNIITS will be taking part in the development and realization of dedicated federal programs, including the "Resurrection of the Russian Fleet," "Technology, Machinery and the Production of the Future," "New Materials," "High-Speed, Ecologically Clean Transport," "Resource-Conserving and Ecologically Safe Processes of Mining and Metallurgical Production," and "Advanced Information Technologies."

The institute has been entrusted with the function of training and retraining highly qualified scientific cadres in the technology of shipbuilding and ship repairs, the technology of shipboard machine building and the organization of shipbuilding production.

The government decree approved a special provision on the terms of the state support for TsNIITS as a State Scientific Center. There will be dedicated financing of work under the corresponding approved programs through the Ministry of Science and Technical Policy from the funds of the federal budget. The new status is conferred upon TsNIITS for two years.

* * *

The work of TsNIITS was represented for the first time last year along with the other products of the industry in Australia. Russian shipbuilders took part in the International Trade and Industrial Fair in Sydney. TsNIITS demonstrated in particular its most interesting projects—flange-less joints for ship's shafts, a laser system for monitoring the curvature of the surface of sheets, an all-purpose bending machine, pneumatic and hydraulic tooling, and ceramic shims for one-sided welding, among others. Firms from 22 countries took part in the exhibition.

Baltiia GSP

The Lithuanian Baltiya State Shipbuilding Enterprise [GSP] is assimilating new types of products. These include small fishing vessels with dimensions of 16.5 x 4.5 x 1.9 meters and a displacement of 30 tonnes. DAF 1160 engines with a power of 155 kW are being installed in them. The crew is 2—3 people. The order for these vessels came from Holland. Small recreational vessels with dimensions of 14 x 4.2 x 1.2 meters have been built for a buyer from that same country. The base version envisages the installation of two 46-kW diesels.

They have also begun to be heavily engaged, aside from shipbuilding, in the repair and refitting of ships. The refitting of the large railroad ferry Kaunas was performed in cooperation with the Klaipeda Western Shipyard state enterprise.

An order has been received from the country's power company for the manufacture of steel tanks for the storage of petroleum products with a volume of 30,000 m³ (diameter of 45.1 meters and height of 21.9 meters). The production of plows with 2—5 shares has been started in conjunction with a Polish firm.

Sevastopol Navy Yard GP

Sevmorzavod filled an unusual order last year—dockwork and repairs on the famous transatlantic passenger liner United States, the last holder of the Blue Ribbon of the Atlantic prize, established back in the last century, for the fastest crossing of the Atlantic Ocean. This steam-turbine liner (with engine power of about 240,000 horsepower), with a displacement of 59,140 tonnes and a gross tonnage of 53,329 vessel tonnes, was built in the United States and was designed for approximately 2,000 passengers. It won the coveted prize on its very first cruise in 1952, covering the route from New York to England in 3 days 10 hours and 40 minutes at an average speed of 35.6 knots. The vessels has a greatest length of 301.7 meters, a width of 30.9

meters, a height to the main deck of about 26 meters and a draft of 11 meters.

The fate of the liner, however, did not turn out all that well. The vessel has been unprofitable owing to large operating expenses, and was laid up for many years. The Turkish businessman Mr. Sadikoglu recently became its owner.

Sevmorzavod performed the exceedingly complex placement of the liner in dry dock, almost "flush against" the floating caisson. Given the considerable overhang of the stern extremity (about 40 meters), the ship is virtually resting just on keel blocks 1.2 meters wide with a minimal quantity of backup side cribbing. The calculations for the docking were performed by lead designer V.G. Lamin.

The enterprise has done work connected with the first stage of repairs on the liner and the removal of asbestos-containing insulation, among other things. A contract was then signed for the performance of new work to repair and refit the vessel.

*Tatarstan Oil Industry Performance Viewed

954E1107B Moscow DELOVOY MIR in Russian
16 Jun 95 p 4

[Article by I. Zakirov: "Republic Defines Its Oil Policy"]

[FBIS Translated Text] The first self-contained oil refinery in Tatarstan has been placed into operation not far from Almetyevsk on the territory of the Kuchuyks Industrial Park of the Yelkhovneft Oil Extracting Administration. It could also be called a small plant. The new enterprise is designed to refine 400,000 tonnes of crude a year with the yield of specific products: A-76 motor vehicle gasoline (with an octane rating of as high as 82), diesel fuel, vacuum gas oil, sulfur, and construction asphalt. At the same time the motor vehicle gasoline produced here is an ecologically pure product and has only a negligible content of sulfur and is practically lead-free. The design capacity of the installation for producing finished products appears as follows: motor vehicle gasoline—68,100 tonnes per year (this is approximately 1/10th of the annual requirement of the republic for gasoline), diesel fuel—84,100 tonnes, asphalt—80,600 tonnes, vacuum gas oil—137,600 tonnes, sulfur—1,800 tonnes, gases (into the fuel network)—5,200 tonnes a year.

A representative meeting was held in connection with the opening of the NPZ [petroleum-processing plant] of the Yelkhovneft Oil Extracting Administration, with a special visit by Mintimer Shaymiyev, president of the republic. In the opinion of those present, the opening of the NPZ can be regarded as an indication of great

and definite interest of the leadership of Tatarstan in developing the basic branch of the economy of the republic. Moreover, it also evidenced interest in defining and correcting directions to be followed in its development and finding new priorities in the oil business for the immediate future. The meeting became a demonstration of the seriousness of the republic's intentions to create its own oil refining capacities and to begin in the immediate future the sale not of crude, but, as it has always been, the products of petroleum cracking, primarily, of course, motor fuel, the demand for which is constant.

Speaking before those assembled, who included, beside the oil workers, heads of administrations of 15 cities and regions of the oil-bearing southeastern part of the republic, Rinat Galeev, general director of the Tatneft Joint-Stock Company, noted that the opening of the new installation is a remarkable event in the history of the republic and an important link in the development of the economy of Tatarstan. In his view a remarkable step has been taken in overcoming the economic paradox when the republic, which for half a century has supplied the country with oil and continues to do so, ensuring its needs in that strategic raw material, is actually experiencing a shortage of motor vehicle gasoline, diesel, and aviation fuel. Rinat Galeev confessed that "we have all dreamed about having our own gasoline in the republic." Creation of a local oil refining facility was within the power of the oil workers. The common dream finally found its embodiment: the first oil refining installation in the republic is operating and generating production.

It should be noted that the project was completed within a short period of time—in less than three years—especially because of the selfless labor of hundreds of specialists, engineers, workers, and managers, as well as because of the coordinated work by oil workers and builders and the American partners. According to Rinat Galeev, the construction rates, the high engineering potential, and the professionalism of local specialists constituted a pleasant discovery for the business partners—our American colleagues. The American Petrofak Company, which delivered all of the necessary technological equipment, also proved itself a reliable business partner. "We are evaluating our cooperation with it in a positive manner," the head of Tatneft Joint-Stock Company observed.

It was not hard to guess that the goal of the trip by the president of the republic to the oil workers was to support their efforts in the creation of oil refining capacities while at the same time outlining new orientation points and directions in the development of the oil complex of Tatarstan. The head of the republic

declared that retention of current rates of oil extraction and its refining constitute task number one for us. Mintimer Shaymiyev called the opening of the new enterprise, despite all of the economic difficulties, a remarkable event. That speaks to the fact, he noted, that under conditions of the transitional period as well, when we are building a completely new society, a totally different economic and social way of life, we, particularly our oil workers, manage to work creatively.

Many kind words like this were directed at the extractors of "black gold." That is not surprising; the contribution of the Tatneft Joint-Stock Company to the economy of the republic and the realization of social programs is difficult to overestimate even today, half a century since the beginning of the active development of the oil deposits of Transkama.

"What you are doing today is costly." That statement by the head of the republic speaks volumes. Literally it means that were it not for a powerful oil branch, the republic, with a colossal concentration of VPK [military-industrial complex] enterprises, which over the last two or three years have been practically paralyzed because of a lack of orders and financing, would have encountered unprecedented difficulties. The economic situation and social climate of the republic are directly linked with the stable and effective operation of the oil and petrochemical complex.

Mintimer Shaymiyev has repeatedly confirmed the thesis he voiced to the effect that Tatarstan will be able to emerge from the difficult economic situation which formed, sooner than many other regions of the Russian Federation and the CIS. Some examples were cited as proof of the fact that such an assumption is not without a foundation. Results of four months of the current year indicate that in the republic as a whole it was possible to eliminate the decline in production. The KamAZ Joint-Stock Company is currently gaining momentum.

We reached the conclusion that on the whole the treaty between the Russian Federation and Tatarstan and the bilateral intergovernmental agreements are working, Mintimer Shaymiyev reported. Therefore there is sufficient optimism and there is no need to borrow any confidence. Even though it is still somewhat premature to speak about full stabilization of the economy, on the whole there are certain shifts.

The president of the republic defined the strategic line of the "oil" policy of Tatarstan as follows: We are speaking about initiating the expansion of reconstruction work at the Nizhnekamskneftekhim Joint-Stock Company. It is necessary to resolve the problem concerning shortage of fuel once and for all on that basis while achieving total

satisfaction of the needs of the republic for ecologically pure gasoline, diesel fuel, and aviation kerosene.

The choice has been made. The practical realization of the task through a search for investors and appropriate companies is beginning. There is confidence that the new oil refinery on the territory of the Nizhnekamskneftekhim Joint-Stock Company, whose production capacity will exceed the NPZ of the Yelkhovneft Oil Extracting Administration by many times, will be built and placed into operation in 4-4.5 years. The starting point will be the date on which the contract is signed with the project builder—the American firm ABB Lummus Crest Inc.

Answering questions from journalists, Mintimer Shaymiyev reported that the republic, proceeding from its interests, is also prepared to create financial-industrial groups (FPG) and other oil companies. It is seeking optimal forms of cooperation and acceptable conditions from foreign investors. At the same time authorities in the republic believe that by establishing close partnership relations with a number of refineries in the Russian Federation and Ukraine, for instance, oil workers of the republic should not feel they are "losing face." Tatneft Joint-Stock Company must remain an independent oil company because, as the president noted, "the mineral wealth is still ours, oil extracting is ours, and everything else can develop in time."

The head of the republic praised the work of the Tatneft Joint-Stock Company in the creation of the FPG Ukrtatnafta jointly with the Kremenchug NPZ, where the sour crude oil extracted in the republic is delivered for refining. Thanks to business ties with the Kremenchug plant, much more oil was extracted over the past few months of this year than during the corresponding period last year. That, in turn, made it possible to ensure the operation of the entire petrochemical complex, which accounts for almost one-third of the industrial output of the republic, and also to restrain the decline in production. The project for creation of the FPG Mostatnafta jointly with a Moscow NPZ appears to be very interesting. Its realization will make it possible to satisfy the interests of Tatarstan through the sale of the end product. Concrete steps are being taken to create the FPG Volga-oil jointly with a refinery in the neighboring Nizhniy Novgorod.

In other words, today, when quotas and restrictions have been lifted on the export of oil, the oil complex of Tatarstan is assimilating new forms of business partnership not without success under market conditions.

***SIDANKO Oil Company Performance, Plans Viewed**

954E1107A *Moscow DELOVOY MIR in Russian*
16 Jun 95 p 2

[Article by K. Vantukh: "SIDANKO: First Year Results"]

[FBIS Translated Text] The first shareholder meeting of the Siberian-Far Eastern Oil Company (SIDANKO) took place marking the first anniversary since its creation. Despite its young age, the corporation occupies a third-place position in the volume of extraction in the "ranking table" of oil companies in Russia, after Rosneft and Lukoil. It supplies energy resources to regions of the Far North and Far East, including Yakutia, Buryatia, Irkutsk, and Magadan Oblasts, Kamchatka, and parts of Primorsk and Khabarovsk Krays.

At the present time the company has 61 oil fields on its books (42 of them are being exploited). Altogether it has the largest reserves of hydrocarbon raw materials in the world: 3.47 billion tonnes of oil, 1.47 trillion cubic meters of gas, and 30 million tonnes of gas condensate.

SIDANKO is built like a vertically integrated company, or holding company. It includes companies that perform the entire production cycle, from extraction of the oil to delivery of finished petroleum products to the consumer. In the future the company is planning to expand further since meetings of shareholders of numerous enterprises expressed the desire to join SIDANKO. "We believe that all petroleum enterprises in the eastern and far eastern portion of the country engaged in supplying petroleum products should form part of SIDANKO, since that is our market and the region where the company is working," Anatoliy Sivak, president of the company stated.

Last year it extracted 32.4 million tonnes of oil and gas condensate; this year it plans on having a somewhat lower index of 30.5 million. Speaking to the press, the president of the company named nonpayments as one of the most important reasons why production was cut back.

In 1994 SIDANKO refineries processed 19.4 million tonnes of oil, and in 1995 it is planned to process 22.4 million tonnes. The most important petroleum products the company delivered include 3.4 million tonnes of gasoline, 6.3 million tonnes of diesel fuel, 1.7 million tonnes of aviation kerosene, and 6.5 million tonnes of fuel oil to its zones of responsibility.

Privatization of the company, which, by the way, finished last year with a profit, is yet to be carried out. So far SIDANKO belongs fully to the government. Therefore the meeting was attended only by representatives of the government as shareholders. The edict of the president of Russia allows 49 percent of its shares to be put up for competitive bidding and auction, while the controlling block of shares of 51 percent was made government property for three years and placed under the company's management. It plans to offer 15 percent of the shares to foreign investors. The company is attempting to ensure real value of these securities not only with natural wealth and equipment, but also by attracting western firms for consultations and conduct of an audit. So far, according to A. Sivak, SIDANKO is aiming at raising the price of shares of subsidiary enterprises and the main enterprise. After a certain amount of time, in about three years, it is planned to introduce a single share.

Privatization is prevented by lack of clarity with regard to the question of ownership of one of the extracting enterprises—Purneftegaz Joint-Stock Company.

SIDANKO is planning an important change in the policy of marketing its products: elimination of the sale of crude on the domestic market with delivery only of petroleum products. It is true, the company plans on shipping 6.5-7 million tonnes a year abroad. According to Mr. Sivak, potential long-term buyers have already been found: the French concern Elf Aquitaine, the American Exxon Corporation, and the Chevron Company.

***Privatization of Aluminum Industry Viewed**

954E1069 Moscow *SEGODNYA* in Russian 1 Jun 95
p 4

[Article by Natalya Gotova: "Aluminum Plants Want Vertical Integration: Deputies Interested in American Firm's Recommendations"]

[FBIS Translated Text] The country's entire "aluminum" elite was at the parliamentary hearings "On the State of Privatization in the Aluminum Industry," conducted by the Russian State Duma committees on property and industry. The debut of private metallurgical corporations at Duma hearings proved slightly one-sided: the industrialists did all the talking while the deputies mainly listened and wondered. It turned out that they failed to catch or even find the promised mafia that had taken over the aluminum industry.

For half a year, investigative and tax organs have been examining privatization in non-ferrous metallurgy, carrying out the instructions of Viktor Chernomyrdin, and they have finally made public the fruits of their re-

search. The information presented by the division of the RF MVD [Interior Ministry] directorate for the war against organized crime "On the Criminogenic Situation at Metallurgical Enterprises" states: "Companies that are presently in control of a significant portion of aluminum-producing facilities have acted on the securities market by buying up stock within the framework of current law." In summary, law enforcement organs found both dark and light sides, noting the services provided by traders in the construction of housing in Bratsk and the reconstruction of ocean trade ports, at the same time censuring the large-scale squandering of payments on past processing contracts (Mark Rich—20 percent, TransCIS Commodities, BrAZ [Bratsk Aluminum Plant]—90 percent) and substitution of domestic alumina for imported.

It is curious that rumors of the self-liquidation of the odious off-shore companies, TransCIS Commodities and the TransTEC Company, have been exaggerated in metallurgical circles for a long time. It would seem that if they are still in existence now, then they have ceased to be important figures, either in stockholders' registers or on the Russian market in general.

In the words of Aleksandr Andreyev, head of the RF GKI [State Committee on Property] main administration for the privatization of industrial enterprises, in the "clean" sphere, violations are mainly non-payments into the budget and deviations from antimonopoly legislation. In fact, Russian officials take into consideration the special particulars of privatization and make allowances in pardoning owners if it is useful to the enterprise itself. For example, the Antimonopoly Committee allowed the "Real" company to remain the owner of close to 70 percent of the stock from the Volgograd plant because the firm is investing in the enterprise, and the plant produces only five percent of the Russian market of primary metal.

[Boxed item] Suggestions made by aluminum industry representatives regarding changes in the law:

- allow enterprises forming integrated holding companies to have cross ownership of stock in enterprises that are technologically connected;
- apply a permissive taxation rate to mining industry enterprises;
- introduce a moratorium on the privatization of aluminum industry research and design institutions;
- prepare a federal program that would support the production of processed aluminum products;
- abolish quotas and licensing for aluminum exports in 1996.

Deputies' promises:

—conduct a discussion of metallurgists' proposals at a plenary session of the State Duma;

—take into consideration the recommendations in their introduction of amendments to the "Law on Joint Stock Companies" and "On Financial-Industrial Groups." [end box]

Mr. Andreyev observed that several metallurgical enterprises have not yet been fully privatized. First of all, this applies to the Ural plants that "caught on the fly" the moratorium on the sale of state packets before the privatization examination was complete. Rudolf Shkolnikov, general director of the Ural Aluminum Plant [UAZ], demanded liquidation of the Alkur financial-industrial group (FPG), which transferred state packets for an entire group of Ural non-ferrous metallurgy plants to its board (the FPG controls 44 percent of the UAZ's stock). Now, two groups, connected by a single technological thread, are forming in the Urals with unheard of speed, and Alkur's bonds are preventing the plants from reuniting with their partners. It is understandable that nobody would want to invest in a large conglomerate like Alkur.

The business-like atmosphere of the hearings was marred slightly by several accusatory speeches. Here, it was not difficult to see that the critical orators were the outsiders in the domestic aluminum business. In a move that was extremely unexpected for everyone, Ms. Shada, the Hi-Tec International company head who has remained in the shadows for a long time, participated quite actively in debates. Incidentally, that company has left the Russian metallurgy business without settling debts owed for product with the Sayanskiy Aluminum Combine. According to SEGODNYA's information, Hi-Tec International owes the plant close to \$30 million. Vasilii Boyko, general director of the Your Financial Guardian investment company, has filed claims against the owners of the Bratsk Aluminum Plant. The problem is that his firm owns over 17 percent of BrAZ's stock, but as a result of a general meeting of stockholders held at the end of May, the Your Financial Guardian joint stock company was unable to advance their candidate onto the plant board of directors. In fact, here, Mr. Boyko received an offer to become a member of the board of directors for the Sayanskiy Aluminum Plant, in exchange for actual attracted investments.

Perhaps the only dark spot was the speech given by Feliks Lvov, commercial director of AUS, an American trading company. Mr. Lvov stated that privatization in the aluminum industry had "not achieved its goal because it was conducted with violations of the law and

has led to the seizure by certain stockholders' groups of control over metal supplies." The AUS company proposed that the RF Antimonopoly Committee increase its vigilance over the process of consolidating property and that it create, based on the results of the hearings, a commission for examining violations of the law that were permitted during the privatization of non-ferrous metallurgy. The Duma leaders reacted enthusiastically to the American trading company's suggestion, but in the lobby, hearing participants expressed their surprised at deputies' intentions to support the AUS proposal, with the observation: "One wonders whether the American Congress would manage its legislation with consideration of anyone's competent opinion, even that of an extremely respected Russian trader who doesn't have enough metal in the competitive battle?"

***Negative Impact of Government Agrarian Policy Discussed**

954E1123B Moscow SELSKAYA ZHIZN in Russian
20 Jun 95 pp 1-2

[Article by Aleksey Chernyshev, chairman of the State Duma Committee on Agrarian Questions: "The Majority Loses Out; Economic Policy of Authorities Merely Intensifies the Crisis Situation in the Agrarian Sector—Such is the Opinion of the Chairman of the State Duma Committee on Agrarian Questions"]

[FBIS Translated Text] As painful as it is to admit, the situation in the country's agro-industrial complex today is such that it demands not only close attention, but also specific actions on the part of the legislative and executive branches of power and all of society. The most severe crisis here has already gained 4 years of inertia, and without radical efforts, without changes in the current agrarian policy, it cannot be stopped.

The figures of losses in agrarian production are an eloquent confirmation of this fact. For example, the gross production of agricultural products in 1994 as compared with the average annual levels for 1986-1990 declined by 26 percent. However, while at the beginning of reform the annual rates of production decline comprised 4-5 percent, last year they doubled, and in the current year, judging by all, they will triple. At least, that is the prediction of the Ministry of Economics.

Such negative dynamics are fully explicable. A most terrible thing is happening in agriculture: The fertility of the soil is being lost, and land degradation is increasing. In 1987 we attained the maximal level of application of mineral fertilizers—122 kilograms of active substance per hectare of arable land. And although this did not

replenish the nutrient substances which were depleted with the harvest, still it did not lead to excessive exhaustion of the soil. Last year, a hectare of arable land received only 20 kilograms of mineral fertilizer. In the current year, judging by the results of the sowing, even less will be applied. We might add that the doses of organic fertilizers and lime are many times below the norm. The areas of reclaimed lands are declining, and their application is deteriorating.

The situation is even worse in livestock raising. As compared with 1990, the number of cattle declined by 19.8 million head (23 percent), of pigs—by 10.9 million (35 percent), and of sheep and goats—by 16.3 million head (39 percent). There are 35 regions in the country which no longer have a single sheep. Many large livestock raising complexes and poultry factories are on the brink of total disintegration.

In 1994 as compared with 1990, the operational introduction of production and residential facilities on the farm declined by more than 9 times. The de-

pletion of fixed capital exceeded its introduction by 5 times. The machine-tractor pool has also become worn out and "outdated." In four years, its complement has been reduced by the following: Tractors—by more than 300,000; grain harvesting combines—150,000; fodder harvesting combines—50,000; sowing machines—230,000, and plows—200,000. As a result, the provision of the sector with these and other farm machinery has declined to 43-56 percent of the technological standards.

The natural question arises: Why has our agriculture found itself on the brink of ruin and general devastation? The main reason for this is the outrageous disparity in prices between agricultural and industrial products, as well as services consumed by agriculture. This is quite convincingly evidenced by the data in the table, showing the price indices on agricultural products sold and industrial products and services acquired by agricultural enterprises as compared with the level for 1990, when a parity of prices could more or less be observed.

	1991	1992	1993	1994
Agricultural production	1.6	13.8	111.5	334.5
Industrial production	1.9	30.8	329.3	1383.1
Electrical power for production needs	1.5	20.0	430.9	9307.9
Fuel and lubricant materials	1.3	45.0	508.3	5743.5
Fuel	2.0	32.4	379.1	4435.2

Having reduced the consumption of resources of industrial origin to the limit, our peasants still cannot make ends meet. Last year, 56.6 percent of the agricultural enterprises posted year-end losses. Many farms do not pay wages to their workers for half a year or more, despite the fact that these wages are much lower than in other sectors. For example, in the first quarter of the current year, the wages in agriculture comprised approximately R124,000, while in industry they were R368,000 and in construction—R403,000.

And so, with such an acute financial situation, the farm is being pulled into yet another exceptionally bankrupting round of "reformation." While existing livestock facilities stand idle and are gradually disintegrating, private farmers are building their own livestock yards. The capacities of the existing large enterprises are not loaded, yet rural goods producers are increasing the construction of small enterprises and shops for processing products.

The situation is as stupid as it can be: Despite our poverty, we are unproductively wasting efforts and funds for the creation of a new production infrastructure. And all because the state has unthinkingly refused to regulate economic relations. By encouraging stockholding and privatization, it has intensified monopolism of the procurement and processing enterprises which, making use of this, can exercise their whim at any price. The various middlemen have also added their bit to this.

As a result, the relative share of the ultimate price on food products received by the agricultural goods producers has declined from approximately 70 to 20-25 percent. The peasant is simply forced to opt for expenditures for creating new capacities, while the processors lose their raw material zones and hike up prices in order to cover the losses from idle times of expensive equipment. Both sides lose out—the peasant and the consumer. In other words, all the people.

I could cite at least another 10 or so problems which hang over our agriculture as a result of the "policy of reform," aimed at disintegrating and bankrupting the agrarian sector of the economy. These are: The problem of sale of agricultural products in the absence of a market infrastructure, the absurd increase in cost of credit resources, the reduction of budget financing, the growth of defaults on payments, the stifling taxes, the thoughtless and irresponsible organizational-legal reform, the disintegration of cooperatives, management and much else. However, the most surprising thing is that all this bacchanalia is presented by the official propaganda as a "transformation" aimed at the socioeconomic rebirth of the Russian farm.

Last year, the federal fund purchased only 23 percent of the grain, 34 percent of the potatoes, 14 percent of the sugar beets, and 88 percent of the milk as compared with the planned volumes. At the same time, there was, in essence, the unlimited import of foodstuffs from abroad whose shelf life had expired, a good half of which were not suitable for consumption. In 1994, for example, the relative share of import of meat (primarily poultry) increased by more than 10 times as compared with 1993. At the same time, our own poultry factories were placed on the brink of destruction. In the first quarter of the current year alone, there were 437,000 tonnes of meat, meat products and canned meats brought into Russia, 99,000 tonnes of butter and 76,000 tonnes of sunflower seed oil for a sum of \$500 million U.S., as well as \$85.4 million worth of grain crops, and \$143 million worth of alcoholic and non-alcoholic beverages.

We know that the volumes of financing from the federal budget for 1994 were reduced as compared with the preceding year. But of that which had been allocated for rural residents, only 62 percent was actually paid out, and even that with great delay. The state of affairs is no better today. Judging by all, in the first half of the year the agro-industrial complex will be financed by less than 40 percent of its annual limit, and not by 60 percent, as the situation which has arisen demands.

This is why every year the Agrarian Party of Russia faction in the State Duma and the State Duma Committee on Agrarian Questions undertake a struggle not for life, but for death, squeezing financial resources out of the government. Were it not for this, the country's agriculture would be swept away altogether. One gets the impression that the government does not need it.

Only thanks to the efforts of the agrarian deputies is it possible, with ever greater difficulty, to patch up the huge holes made in the agrarian economy by the "policy of reform." Here, in first place I would list the federal law, "On Re-Formulation of Indebtedness

on Centralized Credits and Interest Accrued on Them by Organizations of the Agro-Industrial Complex, As Well as Organizations Performing the Import (Storage and Sale) of Products (Goods) to Regions of the Far North and Regions Equated to Them," adopted by the State Duma in April of this year. Moreover, significant changes and amendments were introduced into the law, "On the Federal Budget for 1995." Were it not for this, many farms would have ceased their existence due to financial insolvency, as has already been the case with 52,000 peasant (individual) farms.

We hope that the federal law, "On Procurements and Deliveries of Agricultural Products, Raw Materials and Foodstuffs for State Needs," adopted in December of 1994, will play a positive role. The federal law, "On Agricultural Cooperatives," is about to be issued, and it opens up a broad expanse for independent creativity of the peasant masses and makes possible the co-existence and even the forcing out of commercial and middleman capital from the food market.

It is not by accident that I use the words, "we hope." The executive branch is too quick to "forget" about laws which are inconvenient for it. For example, no one has repealed the law, "On the Social Development of the Farm," in which the state guarantees the priority nature of its development. Yet not one point of this law is being implemented. The same fate has befallen the law, "On Priority Provision of the Agro-Industrial Complex With Material-Technical Resources," as well as the law, "On Grain," the principle articles of which were repealed by presidential edict. The law, "On Payment for Land," has not been applied for a long time. And the law, "On the Federal Budget for 1995," is not being implemented in full measure.

And as a result, all the people lose out. Forty-five million of our fellow citizens are cut off from normal food consumption and find themselves below the margin of survival. Sad confirmation of this fact is the decline in the life expectancy of people from 70 to 64 years of age during the period from 1987 through 1994. That is the level of Latin America. To continue to tolerate such a situation is not only immoral, but also very dangerous.

I list all of these negative facts not for the purpose of proving the erroneous nature of the course of agrarian reforms being implemented in the country. This was already done before me by many talented scientists, practical specialists and publicists. It is much more important to attract the attention of all of society, including businessmen and entrepreneurs, to the impoverished state of a vital sector of our economy, so that, through joint efforts, we may bring it out of its crisis situation.

I personally see such a possibility in a serious correction of economic relations and introduction of a regulated market. For the farm this means:

—Adherence to parity of prices on the basis of a mechanism of introducing state guaranteed prices on basic socially significant types of agricultural products, ensuring income for goods producers and a sufficient level of profitability for expanded reproduction;

—Introduction of marginal prices on power resources and basic types of material-technical resources;

—A radical review of the tax and finance-credit policy, and creation of economic conditions for attracting investments to the APK [agro-industrial complex];

—A change in the foreign economic activity; Introduction of economically substantiated duties on imported food products which would ensure protection of the domestic agricultural goods producer.

The emergence of the APK from crisis is impossible without taking measures for providing equipment to agricultural goods producers and enterprises for the storage and processing of agricultural products.

With the participation of our deputies, a detailed program for stabilization and development of the agro-industrial production of the Russian Federation for 1996-2000 has been prepared. It defines the means of emergence of the APK from crisis, and the provision of the country's food security. The realization of the tasks outlined in the program is to be implemented by means of adopting the necessary standard-legal statutes, federal inter-regional and regional programs for development of the APK, and systems of management of agro-industrial production.

But the main thing, and this we must stress, is for the state and all of our society to involve itself without delay in the realization of measures for the restoration and development of the country's agro-industrial complex. After all, every day that goes by leads to a degradation which is difficult to reverse, and to unpredictable social consequences.

***Agrarian Academician Discusses Difficulties Facing Peasants**

954E1123A Moscow ZEMLYA I LYUDI in Russian
2 Jun 95 No 22, p 2

[Article by Academician B. Poshkus, Russian Academy of Agricultural Sciences: "How Is the Peasant To Survive in the Waves of the Market Storm?"]

[FBIS Translated Text] The crisis processes in the agrarian sector of the country's economy have taken on a clearly destructive character. Here,

the avalanche decline in production continues, construction of social facilities has practically been discontinued, the labor wage is below the subsistence minimum, and the farms have stopped acquiring even the most necessary industrial products such as mineral fertilizers, mixed feed, and means of combatting pests affecting agricultural crops.

WE CANNOT GET BY WITHOUT STATE SUPPORT

At the beginning of the transition to market relations in the economy, most farm workers believed that the crisis which had emerged was a temporary phenomenon. As soon as things got easier for the state, they believed, it would immediately help the peasants. In this expectation, the agricultural sector had exhausted all its internal reserves in 3 years, and by the fourth year the rural economy could no longer withstand the stress test. The socio-economic and even the political situation has notably heated up. Extensive areas of land are no longer cultivated. A significant portion of the harvest remains in the fields. The herd size is dwindling before our very eyes, and the state is months late in settling accounts for purchased products. And under these conditions, the peasants are constantly being reminded of the impending bankruptcy, of the need to reform the farms on which they work, all without any explanation of why these reforms should be implemented.

Economists attribute 60 percent of the reasons for the disintegration of the agrarian sector to the disintegration of cooperative relations between the countries of the former USSR. The rest may be attributed to the shock therapy in the system of free price formation, which has given rise to great chaos, when prices on industrial goods have risen 4 times faster in recent years for the farm than have the purchase prices on their agricultural products. As a result, the purchase prices cover only 70 percent of the expenditures in the agrarian sphere. Therefore, the most cardinal measures on the part of society are needed, so as to help the rural residents stabilize the economy.

Undoubtedly, the state must play the primary role in this. We understand that its capacities today are limited, and that it is extremely difficult to quickly overcome the distance between the desired and the actual state of affairs. However, we must create at least minimal economic conditions for the normal existence of the agro-industrial complex. And considerable benefit in this sense would be given by the full realization of the principles contained in the federal law, "On Procurements and Deliveries of Agricultural Products, Raw Materials and Food Products for State Needs," and in the fulfillment of the RF [Russian Federation] Government

Decree No 241 dated 13 March of this year. These documents provide for establishing state regulated and continuously indexed guaranteed purchase prices on basic agricultural products, introducing advances to agricultural goods producers under concluded agreements for purchase of products, and settling accounts on them with the farms within 5-10 days after delivery. Undoubtedly, such an economic mechanism would make it possible to improve the financial position of the farmers.

At the same time, I would like to point out one very basic question. At the present time, politicians, ideologists and even agrarian-scientists are divided into two opposing groups. Some maintain that we do not need any market relations, and call for a return to the old, centralized, form of management, when all economic problems were solved in Moscow, and all contradictions were removed in time. The achievements were indisputable. However, at the present time, when the entire country has changed over to market relations, a return to the old in one sector—the agro-industrial complex—becomes unrealistic, and in practice will bring only detriment to this sector. The fact is that the development of a market infrastructure has taken a significant step forward in a short time, while the peasant was simply not allowed onto the market. The processing enterprises and the entire trade network have in essence been privatized without the participation of the rural goods producers. The consequences of this were immediately reflected in the huge disparity between prices on means of production for the farm and the purchase prices on agricultural products.

The other group of agrarians appraises the situation more realistically, recognizes the market processes which are taking place as an accomplished fact, and in its practical activity facilitates agricultural goods producers in securing themselves in the market and increasing their competitiveness. However, this demands rather great effort, since the facilities for processing as well as for the sale of products have not been privatized by the farmers.

HE WHO SHOWS ENTERPRISE

Individual subjects of the Federation, depending on their natural-economic conditions, their historical experience and their national traditions, have rather different approaches to the implementation of agrarian reform and the introduction of its economic mechanism. The measures for transition of agriculture to market relations and for the emergence of the peasant on the market are especially varied.

Thus, in Ulyanovsk Oblast, at the initiative of the local authorities, an extra-budgetary fund for regulating market relations has been established. From this fund,

agricultural goods producers are given subsidies, the relative share of which comprises 45-67 percent of the purchase price. Also from this fund, processing enterprises are compensated for the difference between wholesale factory prices and standard prices. Part of the products are sold by the processing enterprise at free prices. Moreover, it deducts a certain portion of the obtained profit to the extra-budgetary fund for market regulation.

The results of the organization of a regulated food market in Ulyanovsk Oblast are encouraging. Here, a comparatively low consumer price has been set on basic food products, which is approximately 2 times lower than the average throughout Russia. The per capita consumption of basic food products is 15-20 percent higher than in the neighboring oblasts. Here the sale of products is guaranteed for all agricultural goods producers. There is no longer a need to establish small shops for processing agricultural products, since the capacities of the large processing enterprises are continually loaded. Agrarian reform in the oblast is being implemented on the basis of creating agricultural production cooperatives, large agricultural firms operating without parasitic middlemen. All this has helped to ensure reliable social protection of the local population.

Another model of the food market is formulated in Nizhgorodsk Oblast, where they are trying to create favorable conditions for peasants in their competitive struggle on the free market. For these purposes, considering the economic capacities of the large industrial city, at the expense of the local budget there are over 300 small shops established on the farm for processing agricultural products. Over 300 stores have been handed over for ownership and lease to agricultural goods producers for the purpose of organizing company trade. The results of the implementation of this model still lie ahead—in 2-3 years.

A unique variant of the peasantry's entry into the market may be seen in Ryazan Oblast, where, on the basis of development of wholesale food markets, the capacity is seen for constructing a model which seems to be an intermediate between a fully regulated and a free market. However, the outlines of such a model are only now appearing. The fact is that, for the present time, it is primarily the workers of the processing industry and trade who are participating in the operation of the wholesale markets. Agricultural goods producers are still infrequent guests here.

We must recognize the fact that today the economy of the agricultural enterprise is formulated by the market, while the state plays only a regulatory role. The economic measures adopted by the state will always be

inadequate if the agricultural goods producers themselves remain aside. Therefore, with the transition to market relations, the correct path was chosen by those rural collectives which began purposefully engaging in entrepreneurship, and which are striving to achieve as much profit as possible under the new conditions of economic management. As a rule, the farms which are effectively utilizing the advantages of the market, with consideration for the specific conditions, are employing contractual, leasing or cooperative relations and creating independent small enterprises. In order to themselves directly enter the market, they are rejecting the expensive services of middlemen and are themselves developing marketing activity and commerce. Each one of them first created subsections which would engage in the organization of supply and the sale of products, the study of demand, and the development of company trade.

Such farms, with consideration of the natural-economic conditions, have changed the structure of production in the direction of developing more profitable sectors, have organized shops of an industrial type, and have begun processing their products on the basis of producer-supplied raw materials at state and commercial enterprises, and selling them through their own trade network. They have boldly included themselves in the activity of state commercial structures, or are themselves engaging in supplemental non-agricultural activity, thereby attracting capital for modernization of their agrarian production.

There are more and more such farms appearing in the country, and they can be found in every oblast and rayon. These are not only former economically developed enterprises which previously had a strong material base and which were managed by experienced leaders. Their numbers also include former medium-sized farms, whose managers and workers found the strength to organize production in a new way, with consideration for the demands of the market, and to establish relations with partners. Their experience is very educational. On their basis, we must organize schools for training rural entrepreneurs, to demonstrate to them how to live and work under conditions of market relations.

WHAT TO DO?

Last year, 57 percent of all farms recorded losses, and this year the figure will be about 70-80 percent. Some of them have in fact already disintegrated. These are not isolated episodes, but the beginning of a serious tendency.

The future of collective farms is the main problem of present-day Russia. Its solution will determine the fate

of 30-40 million rural residents, as well as the food security of the entire country.

What, then, should be done first of all?

I would answer this question as follows. We must take all measures to preserve social production, which was created over a period of 60 years of collective farming. We must always remember that significantly more funds and energy are needed to restore what has been destroyed than to preserve what exists. In developing my proposals for solving this problem, I proceed from the historic past of the Russian peasant. It testifies to the fact that rural laborers in Russia want to live in a commune. The commune is their form of life, and he who thinks that it is easy to break up is deeply mistaken. What specifically do I propose in this connection?

It would be expedient for farms to unite into territorial cooperatives, agro-firms, or other inter-farm unions, including also large processing enterprises. Here, goods producers supply their product for processing with rights of an inter-farm subsection. The finished product is sold in the company trade network. As a result, up to 40 percent of the consumer price would go to the cooperative, which would make it possible to notably increase the purchase price, at the same time ensuring the necessary profit for the processor as well as for trade.

Another way is to break up the large farm into independent intra-farm contract and leasing cooperative subsections, which by means of such economic levers as the contract, accounting price, profit, cost accounting, and material incentives would achieve an improvement in the end results of the labor. Considerable work experience in this direction has been accumulated over the last decade. Therefore, it may be broadly introduced without great risk.

Taking into consideration the developed production potential, the financial status and the local conditions, de-consolidation of agricultural enterprises is possible. An example may be Nizhegorodsk Oblast, where five farms have been divided up into partnerships of the closed type, with an area of agricultural crops averaging 1,100 hectares. A positive indicator of this model is the fact that it preserves the rural commune, the collective method of farming, and also that it protects the public wealth against destruction and strictly limits the land market. This model is a unique variant of the technology of utilizing land and property shares, facilitating increased initiative and activity of their owners through material incentives. However, the Nizhegorodsk model also has certain inherent shortcomings. It opens the way for a large concentration of capital in certain hands, primarily those of the farm managers and specialists. It

leads to a rapid stratification of the rural population, and complicates the use of common farm production and social facilities. Whether the farm commune can accept all this, only time will tell.

WHERE CAN THE ECONOMICALLY WEAK ONE GO?

Collective enterprises which have spontaneously disintegrated usually divide up into peasant farms, which due to a shortage of material-technical resources and financial means cannot exist alone. Therefore, most of them immediately unite into various formations of a corporate type. The most widespread among these has become the association. It retains elements of collective labor and life in the commune, and guarantees the peasants more freedoms and independence than other analogous forms of farming.

In practice, a rather large number of different types of associations has emerged. For example, in Neman-skiy Rayon of Kaliningrad Oblast, 30 workers separated away from the sovkhoz [state farm] and took their shares with them. They leased another 70 shares of land from pensioners and rural intelligentsia, and formed the "Yantar" association of peasant farms. The association created a unified agricultural pool for equipment and storage facilities, and works the land collectively. The association gets good harvests, makes money on the side, and has opened subsidiary enterprises and established company trade. The peasants make a respectable income. In the future, the association intends to accept legal entities into its complement.

But what can be done if farms can no longer avoid bankruptcy, if they have already fallen apart? There are tens, if not hundreds, of such examples in every oblast. At this stage, it is better to make use of the procedure for bankruptcy of insolvent farms established by the government, and to announce their economic recovery over a period of 2-3 years. In this case, it is first of all necessary to focus attention on collection of incurred debts for the sale of agricultural products, for under-received budget compensation, as well as to make use of benefits on credit indebtedness to banks. During the period of economic recovery, a specific program of structural transformations, aimed at bringing the farm out of the crisis situation, is developed and implemented.

Finding themselves in an extreme situation, the collectives of numerous farms have also found a way out by creating associations of personal subsidiary farms. Here the meadows, pasturelands and plowed fields remain in joint ownership, the machine pool and the shops for processing products are retained, while the livestock are handed over to the personal subsidiary farms, and the livestock raising facilities are also leased by them.

In the case of mass bankruptcy, such a form of farming may become rather widespread, since it protects the production potential of the farm against disintegration and provides a non-conflicting combination of social and personal interests. It is similar to the commune, which Stolypin tried to combat, and perhaps reflects a transitional period. However, with its help, it is possible to emerge from what would seem to be a hopeless situation. Therefore, this form of farming must be given a legal basis for existence.

National Affairs

Probable Effect of Power Law Gauged

954F2528A Kiev MOST in Russian 5-11 Jun 95
No 22, p 4

[Article by Georgiy Larin: "Is the Law on Power as Frightening as It Is Painted?"]

[FBIS Translated Text] The law "State Power and Local Government in Ukraine" was adopted by the Supreme Council in spite of the strongest resistance of the parliamentary factions of communists and socialists—but not only these. Whereas the supporters of the law maintained that it would finally introduce in Ukraine a separation of powers and initiate real local government, which are inalienable features of real democracy, quite a large number of deputies maintained that its adoption would signify the establishment in Ukraine of an autocratic regime, whereby the executive, headed by the president, would be practically uncontrolled and would "crush" beneath it all power as a whole. Who is right, who, not, here? To gain an unbiased understanding here, we should first of all turn to the text of the law. So, what kind of system of power in Ukraine does the law on power establish?

Separation of Powers

Initially there is no separation of powers: "The fullness of power in Ukraine belongs to the people. The people are the sole source of power and exercise it both directly—via referendums..." but then in fertile popular soil there appears a multitude of power trees and also a single, but enormous, power tree: "...and via the system of state authorities and local government bodies" (Article 2).

The small trees of local government are in no way linked to the big tree of state power or with one another—this is the first and greatest difference between the new system and the old, Soviet, system, to which we had been accustomed since childhood. The oblast and rayon (in the oblasts and Crimea) and Kiev and Sevastopol city and also the Kiev and Sevastopol city rayon councils are deprived of any power authority altogether and are taken outside state power and local government, acquiring the status of some "representative bodies" (Article 54). Local government is established only at the level of localities, not territories: "The territorial basis of local government is the village (village council), the township, and the city" (Article 48). The left, together with the parliamentary Commission on Constitutional Development and the Activity of the Councils and Local Government, which it controls, insisted on the preservation of the oblast and rayon councils as "local organs of power" and proposed the replacement of "the

system of state authorities and local government bodies" with "councils of people's deputies, which constitute the basis of the state system of Ukraine." The trunk of state power forks off into three branches: "State power in Ukraine is built on the principles of its separation into legislative, executive, and judicial" (Article 3). The stems of local government, only into two: "lawmaking" (city, township, and village councils) and executive (the executive committees of these councils), excluding the judicial. The oblast, rayon, and other councils noted above, which are assigned the role of representative bodies, remain altogether twigs: they have neither executive nor judicial branches.

Direct Popular Power

Decisions on the staging of all-Ukraine referendums shall be adopted by the Supreme Council "on its own initiative or on the initiative of no fewer than 3 million constituents" (Article 17, clause 25) or the president of Ukraine (Article 27).

The Legislature

Article 6 establishes that "the sole organ of legislative power in Ukraine" is the Supreme Council of Ukraine elected for four years and consisting of 450 deputies—as is the case now also. This article specifies differences between the future parliament and the present one also: "The next elections of people's deputies of Ukraine shall be conducted according to a mixed majority and proportional system" (the left demanded removal of this provision also). So some deputies will be elected as earlier, in the territorial constituencies, some, by party (bloc) slate. The ratio of the first and the second is to be determined by another law—"Elections of People's Deputies of Ukraine". Both categories of people's deputies will form a single unicameral Supreme Council.

The Supreme Council shall elect by ballot a chairman, and at his instigation, the deputy chairmen (articles 11, 12) and shall also elect the standing commissions (Article 8). The chairman and his deputies, the chairmen of the standing commissions (as now also), and the leaders of the groups and factions of deputies (which is not now the case and which was protested by the left) shall form the Supreme Council Presidium (Article 9). The Presidium has no essential power authority, and the chairman of the Supreme Council, perhaps only "exercises general leadership of the administrative machinery of the Supreme Council of Ukraine" (Article 12, clause 5).

The Executive

The head of the state executive and also the head of state is the president, who "exercises this power via the Government-Cabinet of Ministers of Ukraine, which he heads, and the system of central and local organs of state executive power" (Article 19) and is elected for a five-year term (no one may be president for more than two terms consecutively here) (Article 21). The proposals of the left and the Commission for Constitutional Development concerning the deletion of the word "local" (in order that the local organs of state executive power be subordinated to the corresponding councils) and the substitution for the number "five" of the number "four" (as for the Supreme Council) were rejected.

L. Kuchma's desire to build an executive vertical line subordinate exclusively to himself has been satisfied in full: "The president of Ukraine shall within a month's time following his assumption of office or as of the day of resignation of the previous government appoint a prime minister of Ukraine and form a new Government of Ukraine-Cabinet of Ministers of Ukraine" (Article 22); "The Government of Ukraine—Cabinet of Ministers of Ukraine is the central collegial organ of state executive power subordinate to the president of Ukraine and answerable to him" (Article 30). The proposals of the left and the Commission for Constitutional Development concerning substitution for the government's answerability to the president of its accountability to the Supreme Council and the establishment of confirmation by the Supreme Council of the prime minister, the deputy prime ministers, other key members of the government, the chairman of the Security Service of Ukraine, and so forth did not carry. Henceforward, therefore, even the prime minister is only the person who "organizes and coordinates the work of the government..., operating within the bounds determined by the president of Ukraine" (Article 31).

The power vertical further down is to be composed as follows: the executive committees of the oblast, rayon, Kiev and Sevastopol city, and Kiev and Sevastopol city rayon councils shall be converted into the corresponding local organs of state executive power "subordinate to the superior organs of state executive power"—"state administrations headed by the chairmen of these administrations"; the president shall appoint as these chairmen the persons elected chairmen of the corresponding councils (Article 47). For the vast majority of chairmen of the said councils it is, as they themselves acknowledge, truly better to comply with the decisions of the president than their own councils. Only voting and monitoring the budget, adopting programs, and receiving reports remain within the competence of these councils, the rest of their

powers being transferred to the corresponding state administrations (Article 54).

Finally, in the localities, "the chairmen and the executive committees of the village, township, and city councils, which they head, shall also exercise, aside from the competence of the councils proper, the powers of state executive authority delegated to them, the extent of which shall be determined by the president of Ukraine"; on these matters "they shall be subordinate to the president of Ukraine and the Cabinet of Ministers of Ukraine and also to the chairmen of state administrations of a higher level" (Article 52).

Judicial Power

It shall be "exercised exclusively by the courts": the Constitutional Court of Ukraine, general courts, and courts of arbitration (Article 37). Half the justices of the Constitutional Court shall be appointed by the president, half, by the Supreme Council, as proposed by its chairman, and the chairman of the Constitutional Court shall be appointed by the Supreme Council upon the joint recommendation of its chairman and the president (Article 17, clause 17); the Supreme Council shall also appoint the justices of the Supreme Court and the Supreme Court of Arbitration, but at the instigation of the president (Article 17, clause 20). Justices of the other courts shall be appointed by the president at the instigation of the Ministry of Justice coordinated with the Supreme Court and the Supreme Court of Arbitration accordingly (Article 43).

Local Government

The system of local government copies in miniature to a considerable extent the system of state power: the corresponding provision of Article 4 ("Local government in Ukraine shall be exercised via the territorial self-organization of the citizens directly and via local government bodies") is very reminiscent of Article 2 quoted above; local councils are the analogue of the Supreme Council, and their popularly elected chairmen, the analogue of the president, and the executive committees, the analogue of the government. Local referendums are possible also—they are staged in accordance with a decision of the corresponding local councils (Article 50).

Balance of Powers

The Supreme Council retains certain levers of influence on the government. "Within two months following its formation, the Cabinet of Ministers shall present the program of its activity for consideration by the Supreme Council of Ukraine. In the event of disagreement with the submitted program, the Supreme Council of Ukraine may express no confidence in the Cabinet

of Ministers of Ukraine" (Article 22). If the Supreme Council approves the government program, even after this, it may, in accordance with Article 17, clause 23, express no confidence in the government, but, in accordance with Article 22, "no sooner than a year after its has been in office." The Supreme Council shall also "consider, revise, and confirm the state budget of Ukraine submitted by the president of Ukraine and monitor its execution" (Article 17, clause 6).

For his part, the president may influence the Supreme Council. Within two weeks following the receipt by the president of Ukraine of a law adopted by the Supreme Council, the head of the executive may, in the event of disagreement with the content of this law, use his right of veto and return the law with his observations for repeat consideration by the Supreme Council; the Supreme Council must adopt this law for a second time by "a two-thirds majority of its actual composition" (Article 24). The Commission for Constitutional Development insisted on the removal of the two-thirds vote provision; in the initial draft law the president had, on the contrary, proposed "a two-thirds vote of the constitutional composition" of the Supreme Council, that is, no fewer than 300 votes, and for this reason the final version truly is a compromise.

In addition, the president "may raise the question of the special consideration of bills that he has submitted," and "such bills shall be included on the agenda of sittings of the Supreme Council of Ukraine immediately after they have been submitted" (Article 15). Finally, the Supreme Council shall appoint the chairman of the board of the National Bank of Ukraine not at its own discretion but at the instigation of the president (Article 17, clause 18). The proposals of the Commission for Constitutional Development concerning the Supreme Council's appointment upon the joint recommendation of the chairman of the Supreme Council and the president of the chairman of the State Property Fund and the chairman of the State Committee for Television and Radio Broadcasting also were rejected—state television and state radio broadcasting are, like all state property, within the exclusive jurisdiction of the president.

Clause 24 of Article 17, which dealt with the possibility of the impeachment of the president on the part of the Supreme Council, and clause 25, which dealt with the possibility of the dissolution of the Supreme Council by the president, were removed from the law before it was adopted even, which, in fact, made this adoption possible; the motion to remove them was submitted at the session on behalf of the president by Fedor Burchak, his scientific consultant for legal matters and vice president of the Academy of Legal Sciences of Ukraine.

The powers of the president ensuing from the Law on Power are undoubtedly very, very considerable—but only as regards the activity of the executive. There is no doubt that the degree of the executive's independence of the legislature established by this law is exceptional in world practice—but the Ukrainian Parliament also is exceptional in terms of the proportion of "nonparty" deputies with an indefinite political position. There is no doubt, finally, that, as a result of the "trimming" of the authority of the oblast and rayon councils and the subordination of the chairmen of these councils to the president, the self-government of the rayons and oblasts in Ukraine is constricted—but there is instead an expansion of the self-government of the villages, townships, and cities, which will finally obtain independence of both the center and the rayons and oblasts.

Text of Constitutional Agreement

954K0622A Kiev HOLOS UKRAYINY in Ukrainian
10 Jun 95 pp 3-4

[Text of agreement]

[FBIS Translated Text] Constitutional Agreement Between the Supreme Soviet of Ukraine and the President of Ukraine on the Fundamental Principles for the Organization and Functioning of State Power and Local Self-Government in Ukraine Until the Adoption of a New Constitution

The Supreme Soviet of Ukraine,

as the sole legislative body, on the one hand, and

the President of Ukraine,

as the head of state and head of executive authority, on the other hand, that is

the Parties,

who are subjects of constitutional law that have obtained their authority directly from the people,

proceeding from the fact that

—the absence of a new democratic Constitution for Ukraine is a restraining factor on the path of economic as well as political and state-legal reforms;

—the rejection of the Law of Ukraine "The Applicability of the Law of Ukraine 'State Power and Local Self-Government in Ukraine and Changes in the Constitution (Fundamental Law) of Ukraine in Connection With Its Adoption,'" aimed at the realization of the provisions of the Law of Ukraine "State Power and Local Self-Government in Ukraine," makes impossible the proper functioning of the entire state mechanism both

in the center and in the local areas, hinders the pursuit of economic reforms and leads to a further impoverishment of the overwhelming majority of the population and a worsening of social conflicts;

—the presence of profound economic, as well as political, crisis is leading to social tensions in society, its criminalization and to the political confrontation of power structures,

for the purpose of

—reducing the discrepancies between the prevailing norms of the Constitution (Fundamental Law) of Ukraine and the norms of the Law "State Power and Local Self-Government in Ukraine" and the entry of that Law into the system of legislation that defines the constitutional order of Ukraine;

—further ensuring the development and successful completion of the constitutional process in Ukraine,

have sought to

—ensure the proper protection of the rights and freedoms of the person and the citizen under crisis conditions;

—create solid guarantees of the existence of a sovereign Ukraine, and ensure the integrity and inviolability of its territory;

—reform state power based on principles of the clear-cut delineation of functions between the legislative and the executive branches as an essential precondition for overcoming the economic, social and constitutional crisis;

—create the political-legal conditions for the implementation of economic reforms, the maintenance of production and the assurance of financial stability and social protections for the population;

—avoid the political confrontation of power structures, with possibly ruinous consequences for the fate of the entire country and society;

—ensure civil peace and calm in Ukraine and create conditions for the fitting life and work of people and the consolidation of all of the healthy forces of society, taking into account

the positive gains that have been won in the prolonged process of bringing the positions of the President of Ukraine and the Supreme Soviet of Ukraine into agreement during work on the draft Law "State Power and Local Self-Government in Ukraine,"

based on

the good will of both sides and mutual concessions and compromise,

have agreed that:

The organization and functioning of the bodies of state power and local self-government, for the period until the adoption of a new Constitution of Ukraine, will be accomplished based on the principles defined by the Law "State Power and Local Self-Government in Ukraine" that was approved by the Supreme Soviet of Ukraine on 18 May 1995 by a majority vote of the people's deputies of Ukraine, to wit: Section I
GENERAL PROVISIONS

Article 1.

Ukraine is a democratic, social and law-governed state that was created on the basis of the exercise by the Ukrainian people of their sovereign right to self-determination, expressing the will of the people and protecting the interests of its citizens.

The principle of the supremacy of the Law is in force in Ukraine.

Article 2.

All power in Ukraine belongs to the people. The people are the sole source of power and exercise it directly through referendums, as well as through the system of state bodies and bodies of local self-government.

No one may arrogate to himself the right to exercise state power.

Article 3.

State power in Ukraine is founded on the principles of its delimitation into legislative, executive and judiciary.

Article 4.

Local self-government in Ukraine is exercised through the territorial self-organization of citizens directly and through the bodies of local self-government. The bodies of local self-government are elected directly by the citizens of Ukraine who reside on its territory by city, village or town.

Article 5.

All bodies of state power and bodies of local self-government in Ukraine exercise their authority proceeding from the priority of the rights and freedoms of the person. The assurance of those rights and freedoms and the protection of the life, honor and dignity of the person are obligations of the state.

Social life in Ukraine is based on principles of political, economic and ideological diversity.

Ownership in Ukraine is nationwide, communal, collective and private.

The law guarantees equal protection of all forms of ownership and the social thrust of the market economy.
Section II THE SUPREME SOVIET OF UKRAINE

Article 6.

The Supreme Soviet of Ukraine is the sole legislative authority of Ukraine, and is made up of 450 people's deputies who are elected for four years on the basis of universal, equal and direct voting rights by secret ballot.

The regular elections of people's deputies of Ukraine are conducted in the first week of April after the completion of the four-year term of authority of the prior composition of the Supreme Soviet of Ukraine.

The forthcoming elections of the people's deputies of Ukraine are conducted using a mixed majority-proportional system.

The procedure for the conduct of elections of people's deputies of Ukraine, determination of their results and recognition of their authority are accomplished according to the Law of Ukraine "Election of People's Deputies of Ukraine."

The status of the people's deputy of Ukraine is defined by the Law of Ukraine "The Status of the People's Deputy of Ukraine."

Article 7.

The Supreme Soviet of Ukraine performs its work in sessions.

Sessions of the Supreme Soviet of Ukraine are composed of plenary sessions of the Supreme Soviet of Ukraine, as well as sessions of the standing and other commissions that are held during the period between plenary sessions.

The Supreme Soviet of Ukraine assembles for its first session on the thirtieth day after the holding of elections, by announcement of the Chairman of the Central Election Commission.

Regular sessions are convened by the Presidium of the Supreme Soviet of Ukraine. Extraordinary sessions are convened by the Chairman of the Supreme Soviet of Ukraine or the Presidium of the Supreme Soviet of Ukraine, at their initiative or by proposal of not less than 1/3 of the composition of the Supreme Soviet of Ukraine or at the initiative of the President of Ukraine.

The Supreme Soviet of Ukraine operates according to the Procedures of the Supreme Soviet of Ukraine, which have the force of law.

Article 8.

The Supreme Soviet of Ukraine elects standing commissions from among the people's deputies of Ukraine, which perform draft legislative work and perform direct oversight and preparation of issues that fall under the jurisdiction of the Supreme Soviet of Ukraine, as well as monitor the fulfillment of laws and decrees of the Supreme Soviet of Ukraine, in accordance with the Law of Ukraine "Standing Commissions of the Supreme Soviet of Ukraine" and the Procedures of the Supreme Soviet of Ukraine. The Supreme Soviet of Ukraine may create deputies' investigative, audit and other commissions on issues that fall under the jurisdiction of the Supreme Soviet of Ukraine whenever it deems it to be so necessary.

Article 9.

The Chairman of the Supreme Soviet of Ukraine, his deputies, the chairmen of standing commissions and heads of groups of deputies or factions of the Supreme Soviet of Ukraine constitute the Presidium of the Supreme Soviet of Ukraine.

The presidium of the Supreme Soviet of Ukraine is a body accountable to the Supreme Soviet of Ukraine that exercises its authority within the limits stipulated by this Law.

Article 10.

The Presidium of the Supreme Soviet of Ukraine:

- 1) convenes the regular sessions of the Supreme Soviet of Ukraine;
- 2) organizes the preparations for sessions of the Supreme Soviet of Ukraine;
- 3) coordinates the activity of the standing commissions of the Supreme Soviet of Ukraine;
- 4) assists the people's deputies of Ukraine in the exercise of their authority, and provides them with necessary information;
- 5) organizes the conduct of nationwide discussion of draft laws of Ukraine and other acts of the Supreme Soviet of Ukraine;
- 6) organizes the publication of the laws of Ukraine and other acts adopted by the Supreme Soviet of Ukraine and the Presidium of the Supreme Soviet of Ukraine in the Ukrainian and Russian languages, and furthers the publication of those acts in translations into other

languages that are used by the majority of the population of the corresponding localities of Ukraine.

The Presidium of the Supreme Soviet of Ukraine adopts decrees on issues that fall under its jurisdiction.

Article 11.

The Chairman of the Supreme Soviet of Ukraine and his deputies are elected from among the people's deputies of Ukraine by secret ballot for the effective term of the Supreme Soviet of Ukraine. They may be recalled at any time by means of secret ballot by the Supreme Soviet of Ukraine.

Article 12.

The Chairman of the Supreme Soviet of Ukraine:

- 1) exercises overall supervision of the preparation of issues that are being considered by the Supreme Soviet of Ukraine;
- 2) represents the Supreme Soviet of Ukraine in relations with officials, state bodies and associations of citizens in Ukraine and abroad;
- 3) presents the Supreme Soviet of Ukraine with candidates for election to the position of deputy chairmen of the Supreme Soviet of Ukraine and editor-in-chief of the newspaper of the Supreme Soviet of Ukraine. Submits candidates for designation by the Supreme Soviet of Ukraine as Chairman of the Constitutional Court of Ukraine in conjunction with the President of Ukraine. Submits proposed candidates for designation as half of the judges on the Constitutional Court of Ukraine;
- 4) conducts sessions of the Supreme Soviet of Ukraine and the Presidium of the Supreme Soviet of Ukraine, and signs acts of the Supreme Soviet of Ukraine and its Presidium, and issues directives;
- 5) exercises overall supervision of the apparatus of the Supreme Soviet of Ukraine.

The deputy chairmen of the Supreme Soviet of Ukraine perform certain functions as commissioned by the Chairman. One of them occupies the post of Chairman in the event of his absence or his inability to fulfill his obligations.

Article 13.

The people's deputies of Ukraine work in the Supreme Soviet of Ukraine on a permanent basis. They may not combine their activity as a deputy with other work except for instructional, scientific and other creative work.

Article 14.

A people's deputy of Ukraine may not be subjected to criminal liability, arrested or subjected to administrative sanctions that are imposed judicially without the consent of the Supreme Soviet of Ukraine.

Article 15.

The right of legislative initiative in the Supreme Soviet of Ukraine belongs to the people's deputies of Ukraine, the standing commissions of the Supreme Soviet of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine, the Supreme Court of Ukraine and the High Arbitration Court of Ukraine.

The President of Ukraine, proceeding from the urgency of the legislative regulation of a particular sphere of social relations, may raise the question of the extraordinary consideration of draft legislation submitted by him. Such draft legislation is included on the agenda of sessions of the Supreme Soviet of Ukraine immediately after its submission, and is considered in accordance with the Procedures of the Supreme Soviet of Ukraine.

Article 16.

The Supreme Soviet of Ukraine considers and resolves issues of state and social life that require regulation by the laws of Ukraine, as well as performing the constituent and monitoring functions stipulated by the Constitution of Ukraine and this law.

The Supreme Soviet of Ukraine, aside from the laws of Ukraine, adopts decrees, statements, declarations, and appeals within the limits of its authority.

Article 17.

The Supreme Soviet of Ukraine:

- 1) adopts the Constitution of Ukraine, laws of Ukraine, codes and other codified acts, makes changes and amendments to them, and provides official interpretations of them;
- 2) monitors the fulfillment of the Constitution of Ukraine, the laws of Ukraine and the decrees of the Supreme Soviet of Ukraine;
- 3) monitors the sphere of the protection of human rights;
- 4) reviews and adopts resolutions regarding the Program of Activity of a newly formed Government of Ukraine;
- 5) reviews, makes changes in and approves the State Budget of Ukraine as submitted by the President of Ukraine, and monitors its fulfillment;
- 6) approves nationwide programs of economic, social and national- cultural development, as well as those pertaining to the protection of the natural environment;

7) sets the elections for the President of Ukraine, promulgates an act regarding his election, and accepts the resignation of the President of Ukraine;

8) reviews the annual and extraordinary reports of the President of Ukraine regarding the domestic and foreign policy of Ukraine;

9) ratifies or renounces the international treaties of Ukraine, or votes to ratify them or for Ukraine to accede to them;

10) makes the decision to disband itself and, simultaneously, to call for early elections of people's deputies of Ukraine;

11) sets elections to the local soviets;

12) approves the overall structure and size of the Armed Forces of Ukraine, the Border Troops of Ukraine, the National Guard of Ukraine, the Security Service of Ukraine, and other military forces created in accordance with the legislation of Ukraine;

13) approves the edicts of the President of Ukraine declaring a state of war, the institution of martial law across the territory of Ukraine or in particular localities of it in the event of military attack on Ukraine, a decision to suspend or curtail them, to conclude a peace and a general or partial mobilization on the territory of Ukraine in the event a state of war is declared;

14) approves edicts of the President of Ukraine to institute a state of emergency across the entire territory of Ukraine or in particular localities of it;

15) creates a Defense Council of Ukraine and designates the list of officials that are to make it up;

16) approves the composition, at the recommendation of the President of Ukraine, of the Central Election Commission for the elections of people's deputies of Ukraine and the President of Ukraine;

17) designates the Chairman of the Constitutional Court of Ukraine at the joint recommendation of the Chairman of the Supreme Soviet of Ukraine and the President of Ukraine. Designates half of the judges on the Constitutional Court of Ukraine. Administers the oath of judges of the Constitutional Court of Ukraine;

18) designates, at the recommendation of the President of Ukraine, the Chairman of the Supreme Court of Ukraine, the Chairman of the High Court of Arbitration, the Chairman of the Board of the National Bank of Ukraine, and removes them;

19) designates and removes the General Procurator of Ukraine at the recommendation of the President of Ukraine;

20) designates, at the recommendation of the President of Ukraine, the judges of the Supreme Court of Ukraine and the High Court of Arbitration of Ukraine, and removes them under the procedure established by law;

21) reconsiders a law that the President of Ukraine has vetoed;

22) makes decisions on questions of the administrative-territorial structure of Ukraine, and names or renames populated areas of Ukraine;

23) may call for a vote of no confidence in the entire composition of the Government of Ukraine or certain members of it, which entails their removal;

24) adopts, at its own initiative or at the initiative of not less than three million voters, a resolution to hold all-Ukraine referendums, and announces the results of all-Ukraine referendums;

25) monitors the granting by Ukraine of loans and economic and other assistance to foreign nations, as well as the reaching of agreements for state loans and credits and the utilization of loans and credits obtained by Ukraine from foreign nations;

26) annuls legal acts of the Supreme Soviet of the Autonomous Republic of Crimea in the event they do not conform to the Constitution and laws of Ukraine;

27) exercises a veto on the edicts of the President of Ukraine in the event they do not conform to the Constitution and laws of Ukraine, with a simultaneous appeal to the Constitutional Court of Ukraine.

The Supreme Soviet of Ukraine transmits laws it has passed for the signature of the President of Ukraine for subsequent promulgation.

The Supreme Soviet of Ukraine considers and resolves issues that are not under the jurisdiction of bodies of state executive or judicial authority, representative bodies or the bodies of local self-government, as well as those that are not resolved exclusively by all-Ukraine referendums, in accordance with the prevailing norms of the Constitution of Ukraine.

The Supreme Soviet of Ukraine may not delegate its authority to other bodies, except in the cases stipulated by the Constitution of Ukraine and this Law.

Article 18.

Designated exclusively by laws are:

1) the regulation of issues of the rights and freedoms of the person and the citizen, citizenship, the status of individuals without citizenship, refugees and foreigners; the principles of domestic and foreign policy, defense

and state security; the foundations of social protections and the protection of the health of citizens, protection of the natural environment, education, culture, science, protection of intellectual property rights, marriage and family; the rights of national minorities; questions of demography and migration; the status of languages; the activity of associations of citizens, and the mass media;

2) nationwide taxes, types of duties and fees, financial, price and credit regulation, customs matters; the legal regime of ownership and property relations; the principles of the legal regulation of the economic and social development of the state; entrepreneurship, labor, nature and land use, questions of the forms, types, value and engraving of money; approval of the State Budget of Ukraine, as well as changes and reports on its fulfillment; state credit, the status of special (unrestricted) economic zones; the issue of state securities; currency and standards;

3) the organization and activity of the Supreme Soviet of Ukraine, the status of people's deputies of Ukraine, bodies of state executive authority and bodies of local self-government, the fundamental principles of state service, the structure of the courts, court proceedings, the bar, the notaries, the procuracy and the bodies for the performance of punishments; acts that are crimes, administrative or disciplinary offenses, and liability for them;

4) the procedure for the utilization of natural resources, power systems, all types of transport and communications; the conquest of space;

5) the establishment of units, weights, measures, time, standards and principles of state statistics and information sciences;

6) the organization of procedures for the conduct of elections and referendums;

7) the status of the capital and cities of nationwide significance;

8) the rules for the conduct of diplomatic and consular relations, and the conclusion, renunciation and accession of international treaties;

9) the legal regimen for the state border;

10) the status of foreign troops on the territory of Ukraine; the procedure for the utilization of the Armed Forces of Ukraine abroad;

11) the legal terms of martial law and states of emergency;

12) the establishment of state symbols and their use; the establishment of state awards and military, honorary and other special titles.

Such other issues as are defined by the Constitution of Ukraine may also be relegated to legislative regulation.
Section III THE PRESIDENT OF UKRAINE

Article 19.

The President of Ukraine is the head of state and the head of state executive authority in Ukraine.

The President of Ukraine, as the head of state, represents Ukraine in both domestic state and foreign relations.

The President of Ukraine, as the head of state executive authority, exercises that authority through the Government he heads—the Cabinet of Ministers of Ukraine—and the system of central and local bodies of state executive power.

Article 20.

A citizen of Ukraine who is from 35 to 65 years of age, who has lived in Ukraine for not less than the last ten years before the election and has command of the state language, may be elected President of Ukraine.

Article 21.

The President of Ukraine is elected by the citizens of Ukraine for a term of five years on the basis of universal, equal and direct voting rights by secret ballot.

The procedure for the conduct of the elections for President of Ukraine is defined by the Law of Ukraine "The Election of the President of Ukraine."

The regular elections of the President of Ukraine are conducted in the first week of November after the end of the five-year term since the day of his election.

The President of Ukraine takes office not later than fifteen days from the announcement of the results of the election. The President of Ukraine takes the oath at a plenary session of the Supreme Soviet of Ukraine, the text and procedure for the announcement of which are defined by law, upon taking office.

One and the same individual may not be President of Ukraine for more than two consecutive terms.

Article 22.

The President of Ukraine, within a month of taking office or as of the day of dismissal of the prior composition of the Government, designates a Prime Minister of Ukraine and formulates a new composition of the Government of Ukraine—the Cabinet of Ministers of Ukraine.

The Cabinet of Ministers of Ukraine, within two months from the day of its formation, submits a Program of its activity for the review of the Supreme Soviet of Ukraine.

The Supreme Soviet, in the event of disagreement with the program submitted, may express no confidence in the Cabinet of Ministers of Ukraine.

The Supreme Soviet of Ukraine, after approval of a Program of Activity of the Government of Ukraine by the Supreme Soviet of Ukraine, may express no confidence in the Government of Ukraine not sooner than after one year of its work.

Article 23.

The President of Ukraine promulgates the laws of Ukraine that have been passed by the Supreme Soviet of Ukraine with his signature.

The promulgation of the law must be accomplished within two weeks from the time that the text of the laws came from the Supreme Soviet of Ukraine to the President of Ukraine.

The President of Ukraine, in the event of disagreement with the substance of a law passed by the Supreme Soviet of Ukraine, may within that time employ his legal right of veto and return it with his remarks for reconsideration by the Supreme Soviet of Ukraine.

If during the reconsideration by the Supreme Soviet of Ukraine a 2/3 majority of votes of its actual membership approves that law, the President of Ukraine must sign and promulgate it within ten days.

Article 24.

The President of Ukraine:

- 1) acts as the guarantor of state sovereignty, independence, the inviolability of borders, the national security and territorial integrity of Ukraine, the upholding of the Constitution and the laws of Ukraine, and the rights and freedoms of the person and citizen;
- 2) provides reports to the people of Ukraine;
- 3) submits annual and extraordinary reports to the Supreme Soviet of Ukraine on the domestic and foreign policy of Ukraine;
- 4) heads the system of bodies of state executive authority of Ukraine;
- 5) creates, reorganizes and dissolves ministries, agencies and other central and local bodies of state executive authority within the limits of the funds of the State Budget of Ukraine, and designates (approves) and dismisses from their positions the heads of those bodies;
- 6) annuls acts of central and local bodies of state executive authority of Ukraine, as well as acts of bodies of executive authority of the Autonomous Republic of Crimea, in the event that they do not conform to

the Constitution and laws of Ukraine, or to edicts and directives of the President of Ukraine;

7) administers property that is under nationwide ownership within the limits stipulated by law;

8) is the Supreme Commander-in-Chief of the Armed Forces of Ukraine, designates and removes the high command of the Armed Forces of Ukraine, and takes steps to ensure the defensive capability of the state;

9) heads the National Security Council of Ukraine and approves its personnel composition;

10) submits for the consideration of the Supreme Soviet of Ukraine the draft State Budget of Ukraine and a report on its fulfillment;

11) submits, in conjunction with the Chairman of the Supreme Soviet of Ukraine, a candidate for Chairman of the Constitutional Court of Ukraine to the Supreme Soviet of Ukraine for designation; designates half of the judges on the Constitutional Court of Ukraine;

12) submits candidates for designation by the Supreme Soviet of Ukraine for the post of Chairman of the Supreme Court of Ukraine, Chairman of the High Court of Arbitration of Ukraine, the General Procurator of Ukraine, and the Chairman of the Board of the National Bank of Ukraine, as well as for the designation of judges of the Supreme Court of Ukraine and the High Court of Arbitration of Ukraine;

13) designates, at the recommendation of the Ministry of Justice of Ukraine and with the consent of the Supreme Court of Ukraine and High Court of Arbitration of Ukraine, judges for the general courts and courts of arbitration;

14) implements the foreign policy of Ukraine, conducts negotiations and signs international treaties of Ukraine; designates and removes the diplomatic representatives of Ukraine to foreign nations and at international organizations; accepts and refuses the credentials of diplomatic representatives of foreign nations in Ukraine accredited to it;

15) submits for the consideration of the Supreme Soviet of Ukraine proposals regarding the personnel composition of the Central Election Commission for the elections of people's deputies of Ukraine and the President of Ukraine;

16) makes the decision to recognize foreign nations;

17) awards state decorations of Ukraine, and confers honorary titles of Ukraine; establishes presidential decorations, and awards them;

18) awards high military ranks, diplomatic ranks, other special titles and class ranks, and military ranks to the judges of military courts;

19) resolves the issue of the acceptance for citizenship and relinquishing of citizenship of Ukraine, the granting of asylum to foreign citizens and individuals without citizenship; takes steps to protect the interests of citizens of Ukraine outside its borders;

20) pardons individuals convicted by the courts of Ukraine; issues amnesty edicts;

21) makes decisions regarding the declaration of a state of war or the imposition of martial law on the entire territory of Ukraine or certain localities of it in the event of a military attack or threat of military attack on Ukraine, the decision to suspend or curtail them, or to conclude a peace and to submit those issues immediately for the review of the Supreme Soviet of Ukraine, as well as declares a general or partial mobilization on the territory of Ukraine in the event of the declaration of a state of war;

22) declares where necessary that certain zones of Ukraine are ecological disaster areas;

23) declares a state of emergency on the territory of Ukraine or in certain localities of it in accordance with the Law of Ukraine "States of Emergency";

24) exercises other authority in accordance with the Constitution and laws of Ukraine.

The President of Ukraine may not transfer his powers to other individuals or bodies.

Article 25.

The President of Ukraine, within the limits of his authority, issues edicts and directives that are mandatory for fulfillment across the entire territory of Ukraine, and provides interpretations of them.

The President of Ukraine issues edicts on issues of economic reform that are not governed by the prevailing legislation of Ukraine, which remain in force until the adoption of the corresponding laws.

Article 26.

The President of Ukraine may call for an all-Ukraine referendum. The call for an all-Ukraine referendum by the President of Ukraine is accomplished on the terms and under the procedure stipulated by the Law of Ukraine "All-Ukraine and Local Referendums."

Article 27.

The President of Ukraine submits to the Supreme Soviet of Ukraine annual reports, and extraordinary reports by request of the Supreme Soviet of Ukraine, no less often

than once every year on the domestic and foreign policy of Ukraine.

The President of Ukraine may address the people of Ukraine and the Supreme Soviet of Ukraine with reports on topical issues of social and state life.

Article 28.

The President of Ukraine enjoys the right of inviolability. The President of Ukraine performs his duties until the entry into office of a newly elected President of Ukraine. Section IV: THE GOVERNMENT OF UKRAINE — THE CABINET OF MINISTERS OF UKRAINE

Article 29.

The government of Ukraine—the Cabinet of Ministers of Ukraine—is a central, collegial body of state executive power, subordinate to the President of Ukraine and accountable to him.

The government of Ukraine is guided in its activity by the Constitution and laws of Ukraine, the decrees of the Supreme Soviet of Ukraine, the edicts and directives of the President of Ukraine, and the Program of Activity of the Government as approved by the Supreme Soviet of Ukraine.

Article 30.

The Prime Minister of Ukraine organizes and coordinates the work of the Government—the Cabinet of Ministers of Ukraine—acting within the limits defined by the President of Ukraine.

Article 31.

The Cabinet of Ministers, within the limits of its authority:

1) provides for the implementation of domestic and foreign policy, the fulfillment of the Constitution and the laws of Ukraine, the decrees of the Supreme Soviet of Ukraine and the edicts and directives of the President of Ukraine;

2) takes steps to ensure state sovereignty, national security and the defensive capability of Ukraine, its territorial integrity and economic independence;

3) takes steps to support the rights and freedoms of citizens, legality and law and order, to fight against crime, and to protect property rights;

4) supports the pursuit of economic reforms, the emergence, development and stability of the market economy, its social orientation, and develops and executes nationwide programs for the socio-economic and cultural development of Ukraine;

- 5) administers property that is under nationwide ownership, and defines the forms of interaction with subjects of other forms of ownership;
- 6) supports the pursuit of state policy in the realm of finance, taxes, prices, wages, and customs matters;
- 7) creates nationwide and other development funds, and funds for the elimination of the consequences of natural and other disasters;
- 8) implements state policy in the realm of education, science, culture and health care;
- 9) is responsible for the composition of the draft State Budget of Ukraine and the fulfillment of the State Budget of Ukraine;
- 10) is responsible for the pursuit of state policy of social protections for citizens;
- 11) is responsible for the state of the natural environment, ecological safety and the efficient utilization of natural resources, for the output and sale of ecologically clean and high-quality foodstuffs, high-quality consumer items and objective information for the population in this sphere;
- 12) assists and coordinates the work of ministries and other central and local bodies of state executive authority subordinate to it;
- 13) exercises other authority as stipulated by the laws of Ukraine.

Article 32.

The President of Ukraine submits, not later than September 1, a draft State Budget of Ukraine for the review of the Supreme Soviet of Ukraine together with the conceptual framework of the budget, indicators of the credit emissions of the National Bank of Ukraine, a forecast for the economic development of Ukraine for the coming year, and the values of the balance sheet of financial resources of Ukraine. The draft State Budget must be developed upholding the requirements of the budgetary resolution passed by the Supreme Soviet of Ukraine.

Article 33.

The Supreme Soviet of Ukraine, in the event of the late submission of the draft State Budget of Ukraine, may adopt a resolution for a vote of no confidence in either the Cabinet of Ministers of Ukraine entirely or certain of its members.

Article 34.

The Cabinet of Ministers of Ukraine coordinates its actions on issues connected with the pursuit of monetary credit policy with the National Bank of Ukraine, which

is entrusted with the functions of defining and carrying out that policy.

Article 35.

The Cabinet of Ministers of Ukraine, based on the Constitution and the laws of Ukraine, the decrees of the Supreme Soviet of Ukraine, and the edicts and directives of the President of Ukraine, issues decrees and directives within the limits of its authority that are mandatory for fulfillment across the entire territory of Ukraine.

Ministers, the heads of other central bodies of state executive authority, the heads of bodies of state executive authority of the Autonomous Republic of Crimea, the oblasts and the cities of Kiev and Sevastopol, exercise supervision of the spheres entrusted to them and bear responsibility before the President of Ukraine for the state of affairs in those spheres. The official regulations of central ministries and agencies are subject to registration with the Ministry of Justice of Ukraine. Section V THE COURTS OF UKRAINE

Article 36.

The courts exercise exclusive judicial power in Ukraine.

The Constitutional Court of Ukraine, the general courts and the courts of arbitration constitute the judicial system of Ukraine.

Judicial rulings are enacted in the name of Ukraine.

Article 37.

The courts protect the rights and legal interests of citizens, legal persons and the state by means of the administration of justice.

The courts are independent. All state and other institutions and citizens are obligated to respect the independence of the courts.

The courts are subordinate in their activity only to the law.

The courts of Ukraine have independent budgetary financing.

Article 38.

The Constitutional Court of Ukraine is an independent body of judicial power that ensures the conformity of laws and other official acts of legislative and executive authority to the Constitution of Ukraine, and the protection of the rights and freedoms of the person and the citizen.

Article 39.

The administration of justice in Ukraine is accomplished in the form of court proceedings in civil, economic,

administrative and criminal cases, as well as in the form of the adoption of rulings on questions of the conformity to prevailing legislation of legal acts of officials, local bodies of state executive authority and the bodies of local self-government.

Any interference with the administration of justice is prohibited. Legal rulings are not subject to review other than by a court and under the procedure stipulated by law. The creation of extraordinary or special courts is not permitted in peacetime. The creation and activity of such courts in wartime is regulated by law.

Article 40.

Judges are inviolable, independent and subordinate only to the law. The status of judges and the procedure for designating them are defined by the Constitution of Ukraine and the laws of Ukraine.

Article 41.

The legal oversight of the legality of judicial rulings of the general courts and courts of arbitration is performed by the Supreme Court of Ukraine and the High Court of Arbitration of Ukraine respectively.

Article 42.

Judges of all courts, except the judges of the Supreme Court of Ukraine, the High Court of Arbitration of Ukraine and the Constitutional Court of Ukraine, are named by the President of Ukraine at the recommendation of the Ministry of Justice of Ukraine, with the concurrence of the Supreme Court of Ukraine and High Court of Arbitration of Ukraine respectively. Section VI
THE PROCURACY OF UKRAINE

Article 43.

The Procuracy of Ukraine is the body of state prosecution, general oversight and oversight of the fulfillment of punishments at places of confinement.

The General Procurator of Ukraine and the procurators subordinate to him are entrusted with:

- 1) oversight of the upholding of the Constitution and laws of Ukraine by the bodies and officials of state executive authority, representative bodies and bodies of local self-government, enterprises, institutions and organizations of all forms of ownership, as well as citizens of Ukraine and persons without citizenship;
- 2) oversight of the upholding of legislation on questions of the rights and freedoms of citizens;
- 3) oversight of the upholding of laws by bodies that are performing operational and investigative activity, inquiries and preliminary investigations;

4) investigation of crimes in matters that fall under the jurisdiction of bodies of the procuracy;

5) support of state prosecution in court;

6) oversight of the upholding of laws at the places where criminal punishments are administered, as well as the use of other means of a compulsory nature;

7) the protection of the property and other interests of citizens, officials and the state.

Article 44.

The General Procurator of Ukraine is named to the position and removed from the position by the Supreme Soviet of Ukraine at the recommendation of the President of Ukraine.

Article 45.

The procurators are independent in the exercise of their authority, and are guided only by the Constitution and by the laws of Ukraine.

The organization, authority and procedure for the activity of the Procuracy of Ukraine are defined by the Law of Ukraine "The Procuracy."

Section VII LOCAL BODIES OF STATE EXECUTIVE AUTHORITY AND LOCAL SELF-GOVERNMENT IN UKRAINE

Article 46.

The oblast, Kiev and Sevastopol city, rayon, and city rayon in the cities of Kiev and Sevastopol, state administrations as headed by the chairmen of those administrations are the bodies of state executive authority in the oblasts, cities of Kiev and Sevastopol (as cities of nationwide significance) and rayons (except for the rayons in cities, with the exception of the cities of Kiev and Sevastopol) respectively.

The President of Ukraine names individuals elected by the chairmen of the corresponding oblast, Kiev and Sevastopol city, and rayon soviets to be chairmen of the oblast, Kiev and Sevastopol city, and rayon state administrations.

The bodies of local state authority are subordinate in the exercise of their authority to the higher bodies of state executive authority.

The legal status and amount of authority of the oblast, Kiev and Sevastopol city, and rayon state administrations are defined by this Law and by a Statute approved by the President of Ukraine. The President of Ukraine may delegate authority to state administrations with regard to property under nationwide ownership located

on the territory of the corresponding administrative-territorial entity.

The specific features of the organization and functioning of bodies of state executive authority and bodies of local self-government in the cities of Kiev and Sevastopol are defined by separate laws.

Article 47.

Local self-government in Ukraine is the right of territorial collectives of citizens and the bodies of local self-government elected by them, guaranteed by the state, to resolve independently all issues of local significance within the limits of the Constitution and the laws of Ukraine.

The town (rural soviet), village and city are the territorial foundation of local self-government. Rayons in cities with rayon divisions are a constituent element of the local self-government of cities. Questions of the organization of the administration of rayons in cities fall under the jurisdiction of the city soviets.

Territorial collectives of citizens that reside in the towns (rural soviets), villages and cities are the primary subjects of local self-government.

Territorial collectives of citizens exercise their authority directly and through bodies elected by them.

Communal ownership and the financial resources of the town (rural soviet), village and city, the sources of which are the income of the local budgets relegated by law to the jurisdiction of local self-government, are the financial and economic foundation for local self-government.

Article 48.

Referendums and other methods for the participation of citizens in the discussion and resolution of issues relegated by law to the jurisdiction of local self-government are the forms of the direct exercise of local self-government by territorial collectives of citizens.

Article 49.

The bodies of local self-government in the towns (rural soviets), villages and cities are the town, village and city soviets respectively, which are elected in accordance with the legislation of Ukraine by the citizens of Ukraine who reside on the territory of the corresponding administrative-territorial entity.

Falling under the jurisdiction of the bodies of local self-government are:

—the development, approval and fulfillment of the budgets of the corresponding administrative-territorial entities in accordance with prevailing legislation;

—the institution of local taxes and levies as stipulated by legislation;

—the management of communal property;

—the organization and holding of local referendums;

—assistance in the upholding of the Constitution and laws of Ukraine, the edicts and directives of the President of Ukraine, and the decrees and directives of the Government of Ukraine;

—the exercise of other authority as stipulated by prevailing legislation.

Bodies of local self-government may, taking local conditions and specific features into account, redistribute among themselves certain self-governing powers by mutual agreement on the basis of contracts.

The procedure for the formation, organization and amount of authority of bodies of local self-government are defined by separate law.

Article 50.

The executive committees are the executive bodies of the town, village and city soviets. The personnel composition of the executive committee of the corresponding soviet is formed individually by the chairman of the soviet.

The chairmen of the town, village and city soviets are elected by the citizens of Ukraine who reside on the territory of the town (rural soviet), village or city. The chairman of the soviet is the ex officio head of the executive committee of the corresponding town, village or city soviet.

The chairmen of the town, village or city soviet exercises the overall supervision of the work of the corresponding soviet as a self-governing body, and supervises the activity of the communal and other services of the corresponding executive bodies of local self-government.

Article 51.

The chairmen and the executive committees of the town, village and city soviets that they head, aside from the jurisdiction of the soviets themselves, also exercise such authority of state executive power as is delegated to them, the amount of which is defined by the President of Ukraine.

The chairmen of the soviets and the executive committees they head are accountable and answerable to the corresponding soviets on questions of self-governing authority.

The chairmen of the soviets and the executive committees they head are subordinate to the President of Ukraine and the Cabinet of Ministers of Ukraine, as well as the chairmen of higher-level state administrations, on questions of the exercise of state executive authority delegated to them.

Article 52.

The decisions of soviets, their chairmen and executive committees on questions of local self-government, if they contravene the Constitution and laws of Ukraine, are suspended until they are resolved by a court in accordance with the prevailing legislation of Ukraine, by:

—a directive of the chairman of the corresponding rayon state administration, for town, village and city (cities of rayon significance) soviets;

—a directive of the chairman of the oblast state administration, for city (cities of oblast significance) soviets.

Article 53.

The oblast, Kiev and Sevastopol city, rayon, and city rayon in the cities of Kiev and Sevastopol, soviets are the representative bodies in the oblasts, cities of Kiev and Sevastopol, and rayons (except the rayons in cities, with the exception of the cities of Kiev and Sevastopol). Those soviets, within the limits of their authority:

—approve the budget and monitor its fulfillment;

—approve programs of socio-economic development for the corresponding administrative-territorial entities;

—receive yearly reports from the heads of local state administrations on questions of the fulfillment of programs of socio-economic development of the territories and the budget.

The other powers of oblast, Kiev and Sevastopol city, and rayon soviets as stipulated by prevailing legislation are transferred to the oblast, Kiev and Sevastopol city, and rayon state administrations.

The procedure for the formation, functioning and amount of authority of the oblast and rayon soviets are defined by separate law.

Article 54.

The decisions of oblast, Kiev and Sevastopol city, and rayon soviets on questions of their own authority, if they contravene the Constitution and laws of Ukraine, are suspended until they are resolved by a court in accordance with prevailing legislation by:

—a directive of the chairman of the corresponding oblast, Kiev and Sevastopol city state administration, for rayon soviets;

—a directive of the Cabinet of Ministers of Ukraine, for oblast, Kiev and Sevastopol city soviets.

Article 55.

The town, village, city, rayon and oblast soviets are composed of deputies, and the overall number of deputies, depending on the size of the population residing on the territory of the corresponding administrative-territorial entity, may not be less than seven or more than 75.

Article 56.

The decisions of the chairmen and the executive committees of the town, village, city rayon (where they are to be created) and city soviets that they head that are made on questions of the exercise of authority of state executive administration delegated to them, in the event of a violation by them of the Constitution and laws of Ukraine, the edicts and directives of the President of Ukraine, or the decrees and directives of the Government of Ukraine, may be revoked by the chairmen of the oblast state administrations.

Article 57.

The decisions of the chairmen of the local state administrations, in the event of a violation by them of the Constitution and laws of Ukraine, the edicts and directives of the President of Ukraine, or the decrees and directives of the Government of Ukraine, may be revoked by the chairmen of the oblast, Kiev and Sevastopol city state administrations respectively.

The decisions of the chairmen of oblast, Kiev and Sevastopol city state administrations, in the event of a violation by them of the Constitution and laws of Ukraine, the edicts and directives of the President of Ukraine, or the decrees and directives of the Government of Ukraine, may be revoked by the President of Ukraine.

Article 58.

In the event of a violation of the Constitution and laws of Ukraine, the edicts and directives of the President of Ukraine, or the decrees and directives of the Government of Ukraine, the chairmen of the oblast, Kiev and Sevastopol city, and rayon state administrations may be removed ahead of schedule by the President of Ukraine.

The removal of the chairmen of oblast, Kiev and Sevastopol city, and rayon state administrations entails the suspension of their authority as the chairmen of oblast, Kiev and Sevastopol city, and rayon soviets.

The authority of the chairmen of town, village and city soviets may be suspended ahead of schedule by the President of Ukraine, based on a court ruling, in

the event of a violation by them of the Constitution and laws of Ukraine, the edicts and directives of the President of Ukraine, or the decrees and directives of the Government of Ukraine.

Article 59.

The Autonomous Republic of Crimea is an administrative- territorial autonomous region within the composition of Ukraine.

The Autonomous Republic of Crimea independently resolves issues relegated to its jurisdiction by the Constitution of Ukraine and the laws of Ukraine. Section VIII CONCLUDING PROVISIONS

Article 60.

This Law takes effect from the day of its official publication, and remains in force until the adoption of a new Constitution of Ukraine.

Article 61.

That portion of the legislation of Ukraine that does not contravene the norms of this Law remains in force. II

Only that portion of the provisions of the prevailing Constitution of Ukraine that are in conformity with this Constitutional Agreement remain in force until the adoption of a new Constitution of Ukraine. III

The creation of suitable conditions for the acceleration and successful completion of the constitutional process in Ukraine is deemed essential in order that a new Constitution of Ukraine be adopted not later than one year from the day of signing of this Constitutional Agreement. IV

The provisions of the Constitutional Agreement shall be strictly upheld, and all actions shall be in accordance, with it until the adoption of a new Constitution of Ukraine.

Issues other than the adoption of a new Constitution of Ukraine, the text of which shall be coordinated by the Parties, shall be submitted to an all-Ukraine referendum, a consultative referendum or a public-opinion poll until the adoption of a new Constitution of Ukraine.

* * *

The Parties acknowledge that a failure to fulfill the provisions of this Constitutional Agreement will lead to chaos in social life, the collapse of the economy, and the appearance of a threat of civil conflict, and will call into question the very existence of a sovereign and democratic Ukraine.

* * *

This Constitutional Agreement takes effect as of the moment of its signing by the President of Ukraine and the Chairman of the Supreme Soviet of Ukraine, and is open for signing by the people's deputies of Ukraine.

The Constitutional Agreement has been concluded on 8 June 1995 in the city of Kiev in two copies, the text of each of which is of equal authenticity.

[signed]Chairman of the Supreme Soviet of Ukraine
Oleksandr MOROZ

President of Ukraine Leonid KUCHMA

Kazakhstan

Yesengharin on Stronger Links With Russia

954F2592A *Almaty BIZNES KLUB in Russian*
20 Jun 95 p 4

[Interview with First Deputy Prime Minister Nyghmetzhan Yesengharin by Vladimir Akimov; place and date not given: "Russia-Kazakhstan: No Alternative"]

[FBIS Translated Text] The month of May was marked by intensive contacts of officials of Kazakhstan and Russia at various levels. Not a day went by, practically, without meetings being held in Moscow, Almaty, or some other city of our two countries of Kazakhstan and Russian experts, ministry and department leaders, and government members. Akezhan Qazhygeldin and Viktor Chernomyrdin, the heads of government, and their first and other deputies were at the negotiating table within the one penultimate week of the month alone.

The unusual activity has not gone unnoticed. Many people are asking what this might mean: whether the two biggest states of the CIS have decided, finally, to turn full face toward one another or whether their relations are at an impasse and a feverish search for ways out of it is currently under way.

Unfortunately, publications of the news media do not make this completely clear. Some are even of a contradictory and mutually exclusive nature. For this reason, a KAZTAG correspondent met with First Deputy Prime Minister N.Q. Yesengharin and asked him to answer a number of questions concerning the essence of the processes taking place between the two countries.

[Akimov] First of all, Nyghmetzhan Qabatayuly, I would like to know what the reason is for the so pronounced increase in contacts between Kazakhstan and Russia as of late.

[Yesengharin] I would like to sweep away immediately all insinuations on the subject of the appearance of some friction in Kazakhstani-Russian relations. Both states have, on the contrary, reached full understanding on the altogether simple truth that there is no reasonable alternative to the restoration of the close and multifaceted economic relations between them that existed prior to the disintegration of the USSR.

Over 70 percent of Kazakhstan's production potential is one way or another geared at this time to the economy of the Russian Federation. And so closely and effectively that further disintegration contains within it not only the threat of an exacerbation of the crisis phenomena, but also the total collapse of many enterprises, most unique ones included. This applies to the Russian side also, only to somewhat of a lesser extent on account

of the incommensurability of the dimensions of the two countries. And there are, in addition, between our peoples spiritual and cultural roots going back into the depths of the ages and family and purely human relations requiring constant support.

As far as the variety of Kazakhstani-Russian negotiations, meetings, and consultations are concerned, they have always been of a regular nature. In May, however, they did, owing to a number of circumstances, truly hit a kind of peak.

[Akimov] Why in May precisely, not in some other month?

[Yesengharin] The May surge of negotiating activity was a direct consequence of the agreements and accords that had been reached on the results of the working meeting of presidents Nursultan Nazarbayev and Boris Yeltsin in Moscow on 20 January of this year. The large package of documents signed at that time laid, in fact, the foundation of the political and military-technical alliance of our two states. And gave a powerful boost, of course, to the broad-based and accelerated construction of its edifice.

The corresponding practical activity began immediately following the completion of this visit of the head of the Kazakhstani state to the Russian Federation. It proceeded constantly in line of ascent. And by May it reached its apogee, inasmuch as the six-month time frame allotted for realization of the agreement on a customs union expires on 20 July.

There is one further circumstance of considerable importance. The date of a new meeting between N. Nazarbayev and B. Yeltsin is approaching. And the executors of the political will of the leaders of the two countries would like, of course, the amount of work that has been done since the end of January not to disappoint them.

[Akimov] Yet there is already a customs union between Russia and Belarus. With what is the delay in its practical formation with our republic connected?

[Yesengharin] Primarily with the great complexity and scale of the issues being tackled. The customs union provides not simply for the automatic elimination of customs posts on the joint border but their transfer together with the customs services. The border of our republic will be moved, as it were, to the Russian-Finnish, Russian-Estonian, and other external frontiers of the neighbor country. And, in turn, the Russian border will now, in particular, run along the Kazakhstani-Chinese boundaries. All this is, understandably, engendering many problems requiring additional mutual consultations, the interlinkage of legislative instruments,

and the implementation of certain measures of an organizational nature.

In addition, we are having to simultaneously take care to ensure that our commitments to Kyrgyzstan, Uzbekistan, and other states are not breached. The idea of Kazakhstan's sovereignty has been realized in full from the standpoint of international law.

Now the months-long marathon is basically behind us. An agreement on the unity of administration of the customs services was signed at the recent meeting of heads of government. Several protocols developing it have been adopted by the leaders of the corresponding departments. A draft customs code has been conveyed for consideration to the president. It has been brought fully into line with a similar document that took effect earlier in Russia.

The customs union is already bearing its first tangible fruit, incidentally. The cancellation of customs duty for six months has improved commodity exchange between Kazakhstan and Russia appreciably. Which has led, in turn, to a pronounced revitalization in industrial production in our republic.

[Akimov] Does this mean that questions connected with the protection of the external borders of the two countries will be settled in the same way, in the line of business, as it were?

[Yesengharin] No. Everything here is far more complicated. The conclusion of a treaty on joint protection of the external borders is needed. It will be signed by the heads of state.

The draft of such a document was studied and agreed, in the main, with the Russian side during our trips to Moscow. And mutual understanding on the remaining purely protocol matters connected with the structure and procedure of the manning of the operational group of Russian border forces in Kazakhstan and of the same Kazakhstani group in Russia and the organization of their special information interaction with our border formations was found literally a few days ago within the framework of the discussions of the leaders of the border and foreign policy departments.

The status of the Kazakhstani border forces was reviewed in parallel. They have been withdrawn from the Committee for National Security. And have become an independent structure, as in the Russian Federation.

[Akimov] The question suggests itself: How will the protection of our, now common, external borders be organized in practice?

[Yesengharin] It will be undertaken on the basis of the cooperation of the border forces of the two countries.

By a particular Russian contingent in Kazakhstan and a Kazakhstani contingent in the Russian Federation. Sections of the state borders of our countries with states that are not members of the CIS are implied by the term "external borders" here.

[Akimov] In other words, the path toward the regulation of foreign economic activity between Kazakhstan and Russia has been completely cleared?

[Yesengharin] Not only cleared; the elaboration of the corresponding mechanism is being completed. The in-depth integration and interaction of the two countries in the economic spheres, the synchronization and identification of the reforms, and careful, effective control of the practical implementation of joint commitments are being made the basis of it.

As a result, an opportunity for completely untying our industrial workers' hands is appearing. A direct consequence of this has been the revision of the agreement on trade and economic cooperation between Kazakhstan and the Russian Federation for 1995 which is currently under way. The essence of the innovation here is that the governments will subsequently renounce responsibility for the reciprocal supplies of raw material, equipment, and other products. And, proceeding from existing realities, will fully transfer all such concerns and worries directly to the industrial managers themselves. Their promotion to the front positions promises in the immediate future the revival, if not fully, then to a considerable extent, of the former production engineering ties and the beating once again for each other of the former paths and well-rolled roads, which have become thoroughly overgrown in recent years.

Another form of the extension of integration with Russia should be the formation of industrial and financial groups. A precedent could be set, for example, by Kazakhstani-Russian stock companies based on the Ekibastuz State Regional Power Plant 1 and 2, on intensive negotiations concerning the establishment of which representatives of the fuel and energy complexes of the two countries have embarked. This promises the parties considerable benefits. The Russian Federation would acquire an opportunity to drop the enormous expenditure in the transfer of surplus electric power from Siberia to the Urals and the non-Chernozem zone. Our republic, on the other hand, could bring a halt to the decline in production at the above-mentioned power plants and coal pits, complete the comprehensive development of the operating power lines, and obtain additional resources for installing new ones in our regions that are suffering an energy shortage.

The tough discussions concerning the exchange of property title are close to their logical completion also.

How important this is for the two countries can be easily seen in the practice, which has been taking shape over decades, of the organization of railroad transportation.

Thus, our Petropavlovsk division is still part of the Russian Southern Urals Railroad. Were we to take it over, the Trans-Siberian main line would be disrupted. And at the same time, on the other hand, West Kazakhstan Oblast may be reached by steel track only via the Ilets Station, which is located in Orenburg Oblast.

The former Semipalatinsk Nuclear Test Range represents a vast field for active Kazakhstani-Russian cooperation. After its closure, most unique test benches and scientific equipment were left with nothing to do. Life could once again be breathed into them in the interests of the development of nuclear power engineering by way of the opening of a joint venture there. Russia would then not have to create such laboratories from scratch, virtually, on its own territory, and Kazakhstan would have impressive work in progress in the field of the peaceful use of the atom.

The Russian side has already submitted several interesting proposals in this connection, incidentally. And we are duly studying them at this time.

[Akimov] But in order to accomplish so radical a breakthrough in Kazakhstani-Russian relations, it is necessary initially to properly come to terms with the mutual debts and claims. Is anything being done in this direction?

[Yesengharin] This is, truly, not a simple problem. It is sufficient to recall how many various mutually exclusive opinions and false rumors there have been, which continue to roam around the newspapers in this connection. Some people believe that Kazakhstan is up to its ears in debt to Russia. Others are talking about the multi-billion arrears of the Russian state. For a thorough expansion and intensification of Kazakhstani-Russian cooperation, therefore, a protocol on the settlement of mutual financial liabilities was signed at the start of the year at head of government level; it records clearly that the parties shall renounce claims against one another: Kazakhstan, for compensation for damage connected with the operation of the Baykonur space complex in 1991-1993; Russia, for the debts and credit to Kazakhstan in 1991-1993. We are at the present time engaged in painstaking and strenuous work on the mutual clearance of other debts and liabilities.

The structuring of the debts has become a stumbling block. All too many of them have accumulated in various spheres of interstate and purely business interaction. Kazakhstan, for example, has long-term liabilities for electric power obtained from Russia. It, in turn, owes us

quite a substantial sum, being the biggest consumer of Ekibastuz coal. We have used without payment quite a large quantity of Siberian oil. The Russian side, on the other hand, has not yet settled accounts for the maintenance of the military test ranges on the territory of Kazakhstan.

And this list could, if we wished, be continued. But I believe that the day is not far off when we can finally agree on the facilities in respect of which it is most preferable to clear mutual debts along state lines and to what extent. And then we could help our economic agents take such steps also—clear the last hurdles in the way of full-blooded and frontal Kazakhstani-Russian integration. Begin, figuratively speaking, the building of new allied relations without the vicious circle of past errors, miscalculations, and illusory hopes that all will come right of its own accord.

[Akimov] And what would you call the future alliance of Kazakhstan and Russia?

[Yesengharin] Not only of Kazakhstan and Russia, but of Belarus, Kyrgyzstan, and certain other states of the CIS which are prepared for a more cardinal rapprochement and which are already working in this direction. I personally am most impressed by the abbreviation EAU (Eurasian Union) proposed by Nursultan Abishevich Nazarbayev. It is not a question of the name here. The main thing is that it be more capable than the Commonwealth of Independent States, lead our countries out of the economic crisis more quickly, and open the way to a qualitatively different level of development. Although it has to be noted for fairness' sake that we are participating very actively both in the strengthening of the CIS as a whole and in the formation of the Interstate Economic Committee in particular. We recently formed the State Committee for Cooperation With Countries of the Commonwealth of Independent States.

[Akimov] And the additional circumstances that are revealed will evidently lend impetus to new rounds of negotiations and all kinds of consultations and reconciliations?

[Yesengharin] Life does not stand still. Even the very legal base of all accords reached earlier constantly requires reinforcement and expansion. We concluded with Russia at the start of the year an agreement on the leasing of the Baykonur Cosmodrome, say. And something of the order of a further 30 documents in its development and specification have been prepared as of this time—from the time scale of the registration of newborn children to the procedure of pension support for veterans. And this negotiating process with Russia will undoubtedly continue.

Prospects for International Security Viewed

954F2579A Almaty STOLICHNOYE OBOZRENIYE
in Russian 15 Jun 95 p 4

[Article by Mikhail Ustyugov: "Kazakhstan Without Nuclear Weapons: New Approaches to International Security"]

[FBIS Translated Text] A date to be marked on the calendar: on 31 March 1995 Kazakhstan became a genuinely nuclear-free state. The last warhead bequeathed us by the union military-industrial complex was detonated on this date at the Semipalatinsk Test Range.

Somewhat earlier—21 April—the last nuclear reentry vehicle had been removed from the territory of the republic. The silo launchers for the SS-18 ICBM's are being destroyed at an accelerated pace. Kazakhstan is abiding unswervingly by the commitments it has assumed. But the decision to adopt such commitments did not come easily. The potential threats to our security are all too obvious, the geopolitical position of the republic is all too risky, and the future in the postconfrontation multipolar world appears all too uncertain.

'Nuclear Game' With Big Stakes

There is a great amount about which recent history remains silent. N. Nazarbayev has never paraded the fact that Russia's official leadership has declared its rights to certain Kazakhstan territories. Let us quote Russian sources: "At the start of 1992, B. Yeltsin three times declared at the negotiations in Almaty that Russia had territorial claims on Kazakhstan and raised the question of East Kazakhstan Oblast" ("Russia's Nationality Doctrine: Problems and Priorities," Moscow, 1994).

Nazarbayev preferred at that time not to name names, although, speaking parliament, he outlined the situation without any particular semitones: "The pendulum of democracy has swung sharply to the right. In the euphoria of the victory over the reactionary forces, some politicians and public figures have permitted themselves to once again appeal to the flawed idea of messianism and to return beneath the flag of democracy to the former imperial, great-power thinking."

What real "trump cards" did Nazarbayev hold at that moment for effectively resisting the pressure of these "figures"? The maturing conflict was of little interest to the world community. It was far more concerned by other matters: the fate of the Soviet nuclear arsenals, which were scattered around four sovereign states—Russia, Kazakhstan, Ukraine, and Belarus. While certainly anticipating Kazakhstan's future nuclear-free sta-

tus, Nazarbayev nonetheless decided to play a subtle political game.

First of all, he firmly stated that nuclear weapons would never be transported out of the republic. For foreign observers this was disturbing news: Kazakhstan was, in fact, laying claim to full membership of the "nuclear club" together with the United States, China, Britain, France, and Russia.

In December 1991 the four "nuclear" republics of the former USSR signed an agreement that spoke of a commitment to the nonproliferation of atomic weapons, no first use of them, and an ardent desire to strengthen international stability. The document also contained a clause according to which Ukraine and Belarus had undertaken to accede to the Non-Proliferation Treaty (NPT) as NONNUCLEAR states. Nazarbayev did not sign this part of the agreement.

Literally a week after this, PLO leader Yasir Arafat arrived unexpectedly in Almaty. The sparse official information concerning his meeting with Nazarbayev emphasized the "friendly nature" of the interview. Yet the dialogue was not the easiest: Arafat proposed that the Kazakhstan leader, as the head of a nuclear power, become the lead arbiter at the Near East negotiations. In Arafat's opinion, Israeli missiles could descend on Central Asia and Kazakhstan at any moment. The hint was transparent: it was being suggested that Nazarbayev take the levers of control of the nuclear arsenals and point them in the "right" direction. In response, Nazarbayev made it clearly understood that he would not agree to any power actions.

Iraq's authorities sought contact with our leadership also. At the start of 1992, the parliament of the Republic of Kazakhstan received a letter from Baghdad requesting that it consider the possibility of an official visit to Almaty of a leader of the Iraqi legislative body. Our side prepared a polite refusal.

Meanwhile a campaign of pressure on the leadership of Kazakhstan—both political and via the news media—was developing in the West. Sensational reports about nuclear warheads that Nazarbayev had allegedly agreed to sell to Iran and Iraq and about secret weekends of the "leader of the Muslim nuclear power" in Tehran and Baghdad were "leaked" to the press every now and then. Our press service was incessantly issuing regular refutations of these canards, and Nazarbayev demonstrated oriental sangfroid: the game was not yet over.

Peaceful End Game. No Losers

Could Kazakhstan really have taken the levers of control of the nuclear weapons on its territory? Specialists

answer this question in the negative. All the arsenals were serviced by Russian subunits of the strategic forces. The leadership of the republic never actually had access to the "button" and had no influence on the situation at the strategic sites.

But the most fantastic scenarios were being worked up in the West. Such as, for example: a leader of an extreme nationalist persuasion would come to power in the Republic of Kazakhstan, he would close the borders with Russia with an "iron curtain," military personnel of the Russian Federation would be kicked out, military specialists from the far abroad would be invited to take their place, sales of weapons and nuclear materials would begin....

The "game" culminated in the spring of 1992. Chatting with a group of U.S. senators, Nazarbayev declared that Kazakhstan should be seen "as a temporary nuclear power." The emphasis here was put on the unpredictable situation in the CIS, particularly in Russia. "It is not known who might come to power there tomorrow," the president said. Nazarbayev explained his position in an interview with the CHRISTIAN SCIENCE MONITOR: we did not seek our present actual nuclear status but we have it, and this has to be reckoned with. In response, the NATO leadership issued a statement that denied Kazakhstan the right to call itself a member of the "nuclear club," if only a temporary member.

Nor did Nazarbayev yield here either: in an interview with THE WASHINGTON POST, he declared that pressure on the republic was improper and adduced the previous arguments: "Some Russian politicians have claims on Kazakhstan. Chinese textbooks contain claims to part of Siberia and Kazakhstan. We do not know what will happen to the Commonwealth, what will happen with the Russian leadership. Why does the United States not demand of India and Pakistan the same as it is demanding of us?"

This did not convince the U.S. Administration, and the pressure continued. An embassy of the United States was opened in Almaty, but Bush was demonstratively in no hurry to appoint an ambassador. The British THE EUROPEAN printed one further fantastic story from the life of the roaming Kazakhstan warheads. The new wave of "nuclear exposures" was adroitly raised two weeks before Nazarbayev's first visit to the United States.

Continuing the former policy had become risky. Good relations with America—the superpower that could be a definite guarantor that the "unpredictability" on the expanses of the CIS not go too far—could be in jeopardy.

Literally the day before Nazarbayev's departure for Washington, our Ministry of Foreign Affairs issued a statement: The leadership of Kazakhstan was prepared to accede to the NPT as a NONNUCLEAR state. This meant that we would renounce all rights to the strategic facilities deployed in the republic. Their elimination was, in fact, the concern of two countries—Russia and the United States.

True, our side hedged about its renunciation with a number of conditions. The main one was that the nuclear powers should give Kazakhstan official security guarantees. Such guarantees were obtained comparatively recently, in the spring of this year.

The subsequent chronology of events contains no surprises. In May 1992, Kazakhstan signed the Lisbon Protocol, which contained an undertaking to accede to the NPT and to place all the nuclear facilities under IAEA safeguards. In June of that same year, the parliament of the Republic of Kazakhstan ratified the START I Treaty, overtaking the other parties to this agreement, including the United States.

In December 1993, the Supreme Council legalized the republic's accession to the NPT as a nonnuclear state. In February 1994, Kazakhstan became a member of the IAEA. An agreement was signed with the IAEA in July on the transfer to the agency's control of all Kazakhstan's nuclear enterprises. The military atom has left the long-suffering Kazakhstan land forever, and discussions on the possibility of the development of nuclear power engineering are under way.

What Does the Coming Century Have in Store for Us?

So the celebrated 1,410 nuclear warheads with the Kazakhstan permit are history. The "diamond" saber that Yasir Arafat presented to Nazarbayev at that memorable meeting has been handed over to the museum. The Americans are proposing that our businessmen take part in the destruction of the ICBM launch facilities. Russian atomic scientists are complaining that tremendous funds are needed to reprocess the plutonium "filling" from the "Kazakhstan" warheads, and special financial assistance from across the ocean is somehow not in sight. The U.S. Defense Department is, in turn, complaining of a lack of appropriations (a problem that is very close to us) and that the equipment for the dismantling of the missiles is idling in American ports, awaiting money to defray the transport costs.

Kazakhstan has pulled out of the "nuclear game". At the April conference in New York, at which the fate of a fundamental document—the Nuclear Non-Proliferation Treaty—was being decided, the republic unequivocally

advocated the indefinite and unconditional extension of the NPT. This does not mean that the treaty is without shortcomings. A situation where the world is divided into nuclear weapon "have's and have-not's" and where five members of an "elite" club keep their hands on the buttons, jealously keeping watch to ensure that no one have this opportunity other than themselves, seems odd to many states. Nonetheless, under the current conditions, the NPT is the lesser evil. Were it not for this, the nuclear arsenals would long since have been engaged in bitter local and religious conflicts, of which no end is in sight.

Have the misgivings of some Kazakhstan politicians opposed to the swift renunciation of nuclear weapons, who believe that it is the possession of these weapons that enhances our significance in the eyes of the West and that we have only to be deprived of them to become of no interest to anyone, been borne out?

The experience of recent years shows that Nazarbayev's decision was the sole correct one. We now have stable authority in the international arena. Had the "nuclear games" continued, the leadership of the republic would have been illuminated by the image of a reckless team attempting with the minimum "ammunition" to make its way into the ranks of world leaders.

Ukraine, which had far greater economic and technological possibilities for the creation of real control over its own strategic sites, has not taken the risky path either. The sole successor to the USSR's nuclear arsenals is Russia, the situation in which is now far more predictable than before.

This year Kazakhstan was admitted as an observer at the UN Conference on Disarmament. The conference was addressed on 8 June at the invitation of the European branch of the United Nations by N. Nazarbayev. "The current systems of international security need to be rethought and upgraded," he declared. "The hotbed in the Balkans is blazing, despite all the efforts of international security structures. And there are fears that this conflict could very shortly assume continental proportions."

The president's proposals are not new, he expressed some of them back in the fall of 1992 at the UN General Assembly 47th Session. We need to create effective regional security systems, not relying on a conflict at any point on the planet being "steered away" by superpowers with nuclear weapons and decisive influence at the United Nations. We need to shape mechanisms of preventive diplomacy that could extinguish all "hotbeds" in the embryo, preventing the powerful inertia of war from arising. We need to include countries of the

Third World as equals in the disarmament negotiating processes.

Kazakhstan is determining its long-term foreign policy on the basis of its particular vision of the problems of international security: it is participating actively in Central Asian integration and attempting to "unite" the CIS and transform the amorphous Commonwealth into a Eurasian Union. The Conference on Interaction and Confidence Building in Asia, which was initiated by our leadership, should be a mechanism of the effective prevention of regional conflicts.

"A confrontation of civilizations will come to replace the struggle of ideologies," Harvard University professor Samuel Huntington forecasts. *"The main axis of international relations will run along the line of the divide between the West and the rest of the world. The central conflict of the immediate future will be the conflict between the West and a number of countries belonging to the Islamic and Confucian civilizations, which are already challenging the values, interests, and power of the West. Conflicts between nations representing different civilizations will be more frequent, prolonged, and destructive than intracivilization conflicts."*

It would be rash to brush aside these predictions.

Baykonur Final Agreement, Potential Viewed
954F2591A Almaty PANORAMA in Russian
17 Jun 95 No 24, p 9

[Interview with Adilkhan Umerbayev, National Aerospace Agency, by Nurlyan Makhmudov, PANORAMA; place and date not given: "Interview. Baykonur Continues To Maintain a High Potential Both for Scientific and Technical Work and for Integration of Former Union Republics. Kazakhstan Cosmonauts, Including One Woman, Preparing for More Flights"]

[FBIS Translated Text]

[Makhmudov] It was announced back in February that, at the beginning of June, Baykonur would celebrate the 40th anniversary of the beginning of activities at the space launch complex. But the celebration was surprisingly modest, and there was practically no mention of it in Kazakhstan's mass media. Why? Who participated in the celebration.

[Umerbayev] In fact, a 40th anniversary celebration did take place at the Baykonur Space Launch Complex during 2-3 July. The organizers of the festivities were the space complex team and the administration of the city of Leninsk. As we know, the agreement of 28 March 1994 and the leasing agreement concluded on its basis on 10 December leased the space launch complex

to the Russian Federation, and it is now in charge of the unique complex. A representative delegation from Kazakhstan was invited to the 40th anniversary celebration.

On the whole, one can say that, because of the efforts of its organizers, the celebration went well. Many veteran cosmonauts came. From the Russian side, Commander of the Russian Military- Space Forces Lieutenant General Ivanov, General Director of the Russian Space Agency Koptev, representatives of the government of Russia, and managers of enterprises of the space infrastructure participated in the event. Our delegation was headed by the minister of science and new technologies Vladimir Shkolnik.

The modest nature of the festivities, I think, was caused mainly by the economic difficulties our country is experiencing. But, this does not mean that Baykonur has used up all of its potential and activity there is dying down; right now they are doing the final work on the agreement and contract regarding certain questions of leasing the space launch complex, and it is possible that they will be signed in the near future at a meeting of the presidents of the two states.

[Makhmudov] Why is the period of preparation of these documents so long? After all work on them began long ago.

[Umerbayev] This is very painstaking work that requires accounting for many nuances. Practically all ministries and departments of the republic are participating in the development of the agreements. Most of them were worked out with the Russian side and are ready for signing, but, at the same time, there are still problems with certain of them.

[Makhmudov] Could you discuss them in more detail?

[Umerbayev] In the first place, these are issues related to jurisdiction. In the agreement of 28 March 1994, signed by the presidents of the two states, it is clearly determined that the jurisdiction of the Russian Federation extends only to criminal- procedural cases. Now the Russian side is raising the question of its complete jurisdiction, that is extending its legislation to state registration, collection of taxes, bookkeeping, etc. As of today, more than 500 resident enterprises of Kazakhstan have registered in Leninsk. The Russian side is also raising the question of disbanding Kazakhstan's territorial organs of state administration (committees on land management, ecology and utilization of nature, internal

affairs administration), although these are within the domestic jurisdiction of Kazakhstan.

[Makhmudov] The anniversary celebrations, of course, could not have failed to touch on the future of Baykonur, and it is inseparably linked to Leninsk. It is known that, during the past two or three years because of the weakening of the guard regime in the former secret city, many, shall we say, outsiders who have little to do with space science have come. What do you intend to do with them?

[Umerbayev] I agree that outsiders have shown up there— according to our information, about 7,000 of them, but, after all, they are citizens of the Republic of Kazakhstan from the unfortunate regions of the Aral area—Kazalinskiy, Aralskiy, and other rayons of Kzyl-Orda Oblast. Here, as in many other places, the housing problem has not been solved; my family is also from this oblast, and, therefore, I know about this first hand. And in Leninsk apartments have been vacated and left in a neglected condition. Even now, practically in the center of the city, there are several empty five-story buildings, and you can imagine their condition— broken windows, stolen interior fixtures, etc. Forced resettlement of families who moved independently could cause a social upheaval, and so this question should not be raised at all. I am not trying to provide justification for these people in any way and I understand that there are among them, possibly, criminals, drunkards, and representatives of other such social strata, but regardless of who they are, they are now first of all citizens of the republic and the state is responsible for guaranteeing their rights. The problem must be solved in a normal, civilized way: They all must be legally documented, registered, and employed in local enterprises. Negotiations regarding this have been conducted with the leaders of the Russian administration of the city, they have shown understanding, and they intend to prepare and implement the appropriate social program. But now, of course, certain measures will be undertaken to regulate the arrival and settlement of new families.

Regarding other social problems one must speak of the main thing—that, when the agreements were signed, two suburban settlements of Tyuratam and Akay, which functioned to serve the Baykonur space launch complex and were under the administrative jurisdiction of the city of Leninsk, were excluded from them. Now our side will again raise the question of joining them into a common administrative organ, but the villages would be financed by Kazakhstan through the city administration. This would be the optimal version and would solve many problems.

[Makhmudov] According to the lease agreement, the Baykonur space launch complex was turned over to Russia for 20 years. Is there confidence that it alone can maintain and effectively utilize the entire infrastructure of this immense scientific and technical complex?

[Umerbayev] It would be very difficult to say that, taking into account the current economic condition of the Russian Federation: Even now the Russians are raising the question of returning a number of the large facilities of the space launch complex to Kazakhstan. One can mention the fact that, although Russia made a commitment to pay \$115 million a year for the lease, this money was not received either last year or this year. At the same time, there are versions that involve closer cooperation, in which joint operation of the space launch complex would be economically more advantageous for both Russia and Kazakhstan. In particular, they are now discussing the idea of creating an International (so far with the participation of Kazakhstan, the Russian Federation, and Ukraine, where there are also many enterprises of the branch) Center imeni Tsiolkovskiy. Joint investment and the possibility of independently earning money on commercial launches would make it possible not only to maintain but also to bolster the material base of the unique complex.

[Makhmudov] Might it not be a consequence of the reduction of financing that Russia has significantly reduced the number of its space launches?

[Umerbayev] The number of launches is in compliance with the space program of the Russian Federation. At the same time, there are problems related to ecology. Thus, for example, certain jettisoned parts of missiles that fall to earth also contain a very toxic fuel, which affects the ecological situation, especially in Zhezkazgan Oblast. In order to solve this problem, scientists are now working on changing over to nonnuclear fuel or burning all of it.

[Makhmudov] Is it assumed that Kazakhstan scientists will continue to conduct scientific programs in space, and who will conduct them? According to certain information, the scientists themselves and even a woman are among those preparing for flight.

[Umerbayev] Of course new programs are being developed by our scientists, and they will be carried out in conjunction with the Russian Federation. It is possible that Talgat Musabayev will participate in them again. In addition, our National Aerospace Agency is making proposals to the Russians concerning the training of new Kazakhstan cosmonauts, not excluding women.

Progress, Agenda of Assembly of the Peoples

954F2638A Almaty VESTI KAZAKHSTANA
in Russian 24 Jun 95 p 3

[Interview with Pavel Atrushkevich by special correspondent Vasiliy Gryaznov; place and date not given: "The Assembly Is Extending Its Zone of Operations"]

[FBIS Translated Text] Many of our readers, particularly A. Shilov from Almaty, S. Kozhamkulov from Kustanay, and others, are interested in how the Assembly of the Peoples of Kazakhstan, which will on 30 June discuss the new draft Constitution of the state, was formed, and what tasks it is designed to tackle. Our correspondent talks about this with Pavel Atrushkevich, deputy chairman of the Assembly.

[Gryaznov] Pavel Aleksandrovich, only the first paragraphs have as yet been written in the biography of the Assembly of the Peoples of Kazakhstan. But a few words about its history, for all that.

[Atrushkevich] As we all know, the Assembly of the Peoples of Kazakhstan was formed on the basis of the edict of the president of the republic of 1 March of the present year as a consultative- advisory body under the head of state. Small assemblies operate by analogy under the heads of the oblast administrations. Structures of the executive and the national-cultural centers take part in their formation. Their numerical composition has been determined. Thus, the Assembly of the Peoples of Kazakhstan has 310 delegates.

The biography of this body is, truly, only just beginning. At the first session, which, as we recall, confirmed the proposal for a referendum to be held on 29 April, organizational matters were decided also. A 63-man Assembly Council was elected, an Executive Secretariat was formed, and the number of standing commissions was determined. There are seven of them, and they characterize the main areas of our work. These are questions of education and languages, preservation of the cultural heritage of the peoples inhabiting our republic, coordination with the news media, external relations and migration problems, and the formulation of the concept of a new interethnic policy and also the affairs of the national-cultural centers and the small assemblies. The field of activity for each commission is, truly, boundless.

[Gryaznov] But the main thing for you today, most likely, is preparation for the second session; what is to be discussed?

[Atrushkevich] The second session of the Assembly will undoubtedly be a most important event in the life of the state. But the preparation for it is only part of this body's

concerns. It is sufficient to say that the prospective plan of work for the coming period approved by the Executive Secretariat numbers more than 30 areas. What is planned specifically? It is probably best to show this in the example of one standing commission—for education and languages.

Many representatives of small peoples in our republic have in recent years begun to fear that their children will be unable to obtain a higher education. And although in practice the fears are groundless, public opinion has to be taken into account. In this connection, the first session of the Assembly adopted a decision on a special quota when the first-year intake of the higher educational institutions is formed. The Ministry of Education of the republic has already signed an order concerning the allocation of 10 percent of the places in each specialty for children of small nationalities. Last Thursday, the Executive Secretariat confirmed representatives of the Assembly on the enrollment commissions of all higher educational institutions of the capital, whose duties include ensuring precise compliance with this order. For the local higher educational institutions, such representatives will be confirmed by the small assemblies. I would mention that this is being practiced for the first time in the Commonwealth countries.

But these decisions do not exhaust the problem. It is no less important that the children of small peoples have more favorable access to educational institutions in their historical homeland. Agreement has, in practice, already been reached, say, on Belarusian youth resident in Kazakhstan having a certain quota in institutions of Belarus. Negotiations are under way on this matter with Germany and the Republic of Korea. Graduating students who wish to study in Poland will be tested at the end of July in Kokchetav. A great deal of work lies behind all this. And had there been no Assembly of the Peoples of Kazakhstan, there would simply have been no one to undertake a resolution of these problems.

[Gryaznov] So from its first steps, the Assembly of the Peoples of Kazakhstan has been an original force capable of extending and strengthening even interstate relations?

[Atrushkevich] Its main task is to strengthen interethnic relations in our republic. A body that can discuss and chart paths of a solution of the questions and wishes of any nationality living in the country has essentially been created for the first time. There are opportunities for the broadest exchange of opinions on any problem. Of course, the work is only just beginning to be organized, and the necessary experience has still to be acquired. Nor have all aspects of the organizational procedure been decided as yet. The task of the accommodation

beneath a single roof of all the national-cultural centers in the capital, say, has only just been placed on the agenda. The organization of our own print publication and so forth will require big efforts. But the Assembly and its structures are already operating....

As far as the coming meeting of the delegations is concerned, practically everything is ready for this. The procedure of accommodation of the arrivals and the matters for discussion have been determined, and the principal speakers have been scheduled. A sitting of the Assembly Council, which will specify the standing orders and make, if necessary, addenda to the agenda, will be held on 29 June. The delegations will be familiarized with the drafts of all documents ahead of time.

Munaygaz, Oil Industry Future Considered

954F2644A *Almaty NOVOYE POKOLENIYE*
in Russian Jun 95 No 24, p 5

[Article by Sergey Kordon: "The Oil Industry Is Not in Danger of the 'Gold Rush'—Right Now It Is Suffering From Administrative Fever"]

[FBIS Translated Text] The republic's oil and gas complex are still operating in the "socialist realism" mode. Citing its vital importance for the republic economy, the government in is no hurry to untie the industry's hands and let it "into the market." State regulation, despite the holdingization makeup and creation of numerous SP's [joint enterprises] with foreign companies, does not mean that the leading sector, which has the most potential to earn foreign currency budget revenue, operates efficiently.

To an equal extent, it means that the industry is skidding in familiar Soviet-type contradictions, including departmental ones: between the Ministry of Geology [Mingeo] and the Ministry of Oil and Gas Industry [Minnftegazprom]. The drop in the total oil production for last year serves as incontrovertible proof of this.

So what is happening with our oil "dollar bag" that nature has supplied the republic with?

The fight for oil began in 1992, when the state holding company Munaygaz was just born. The Mineral Resource and Mineral Raw Material Processing Code, adopted at the time without the participation of the oil industry, which was busy with putting itself together after the disintegration of the all-Union one, made the republic Ministry of Geology a monopoly master of the national oil riches. Acceptance of applications, issuance of licenses for the right to use mineral resources, allotment of mining lots, allotment of geological explorations areas, and the act of state registration of a con-

tract between the government and the licensee—all of this was in the hands of Mingeo bureaucrats. Thus, geologists' monopoly on oil fields was established, despite the fact that five to 10 years after exploration, geologists already pass the fields to the oil industry, and it is the latter that stays there for good. Because oil fields have a life of up to 100 years....

In the same 1992, a statute was drafted on transferring prospected oil fields to the oil industry. The Mingeo leadership refused to sign the document, however.

It was then that specialists of these two ministries drafted agreements that envisaged coordination of plans of geologic exploration works and the deduction in the amount of 8 percent of the profit for "reproduction of the mineral and raw material base," which go to the Mingeo. Last year alone, these deductions amounted to 1.6 billion tenge, but at the same time the geologists literally leave the oil industry without bread and a shirt, because they take the money but do not transfer the wells into exploitation.

According to Minneftegazprom specialists, since 1990 geologists have put into development only three or four oil fields. The exploration work, on the other hand, is being conducted on a literally astronomical scale. The overwhelming majority of the exploration wells drilled by geologists at the Kumkol and Zhanazhol oil fields have been liquidated. At the Urikhtau oil field in the Caspian area, not a single one of the 35 wells can be put into exploitation. At Oryskazgan, of 35 wells only six produce oil. Even at the famous Tengiz of 42 drilled wells, only 11 are under development.

The Akbota state holding company of the Ministry of Geology and Protection of Natural Resources in the southeastern part of the Caspian region has managed to drill 500,000 linear meters of wells at 30 different lots and not discover a single oil or gas well of industrial significance.

At the same time, the oil industry also conducts exploration—they drill wells and pump oil. In doing that, they drill 1.5-four times fewer wells and pump oil from 60-80 percent of them.

Mingeo's enormous spending on exploration also is exacerbated by the drawn-out time frame it takes to transfer oil fields into exploitation. In short, in the opinion of the Kazakhstani oil industry, a paradoxical and absolutely intolerable situation has emerged, which inevitably will result in a severe crisis of the oil industry.

The current state of the Kazakhstani raw material base already is a cause for serious concern. The Munaygaz state holding company is working 64 oil and gas oil fields with only 828 million tonnes residual extractable

oil reserves. In the inventory are only 19 oil fields with less than 160 million tonnes of reserves.

Eighteen oil fields, transferred by the Mingeo—in violation of Article 13 of the Mineral Deposits Code—to the Atyrau Oblast administration, with extractable reserves of less than 16 million tonnes; 41 oil fields being developed by joint enterprises with foreigners, with oil reserves of 940 million tonnes. Plus 22 Mingeo oil fields with reserves of 84 million tonnes. This is all our prospective output.

On top of this, the 18 oil fields transferred under the jurisdiction of the head of the Atyrau Oblast administration have already been idle for a year. Development never commenced at the Kenbay, Aryskum, Maybulak, Kyzylkiya, and other oil fields, transferred to SP's.

The decline in oil production is logical, since, let us put it straight, we have come to the point of depleting the raw material base of the oil industry because of the lack of sources to make up for it. To put it simply, if Mingeo continues to pour billions of tenge into the sands of the Caspian region without putting new wells into exploitation, a crisis will break out in a very near future: Kazakhstan will have nothing to sell abroad, even through the existing system of pipelines. Not to mention the planned new pipeline, through which the republic envisages transporting to the Black Sea oil market not 3 million, but 60 million tonnes of oil annually.

Whatever we may say, it is easy to understand the Mingeo bureaucrats: The monopoly right to dispose of Kazakhstan oil pleasantly tickles their senses. Provides revenue for their Mingeo budget. Meetings with sweet foreign oil companies, presentations, licenses—all of this in the proper market manner! Today our geologists would not even provide information about mineral deposits—which the Mingeo collects, among other sources, from the oil industry—to our oil industry for free, only for a fee.

And they pay. Both for their own and others'—this is a market economy!

There are more paradoxes in relations between two agencies than there are desks in Mingeo and Minneftegazprom. While surrendering 8 percent of the income from oil extraction to the Mingeo "uncle" and not getting in return prospected oil fields for development, oil enterprises of Mangystaumunaygaz have been replenishing their raw material base on their own since 1980. And have discovered 13 oil fields over this period of time. Embimunaygaz prospected 19 oil fields. The "famous" Akbota state holding company can only

boast of five oil fields, and Zharkyn state holding—not even one....

So, what would our geologists want, knowing that new legislative acts on oil extraction are again being drafted without them? What would they do if the Cabinet of Ministers gave them a free hand?

In the interests of business rather than those of the Mingeo, they would repeal the normative acts that created the Mingeo monopoly on the national oil market—including the Cabinet of Ministers Decree No. 377, dated 13 March of last year, "On the Procedures of Making Mineral Deposits Available for Geologic Exploration, Extraction of Mineral Deposits, And Other Uses." As the main developer, they would assume the function of licensing the use of mineral resources for all types of operations with oil and gas. They would put the oil exploration industry, regardless of administrative subordination, on a contract basis and direct financing by the customer. They would put all geological and geophysical materials on oil- and gas-containing basins at the oil industry's disposal. They would take the State Commission on Mineral Reserves from the Mingeo and attach it to the Cabinet of Ministers. To reduce the pressure of departmental interests.

And they would strengthen prospecting and exploration administrations, by creating an exploration company and tasking it with supplying the raw material base for the oil and gas sector.

A company—this is, of course, good. It sounds modern. Except that, while the oil exploration industry's logic is quite straightforward, one can see in their positions too a certain departmental "ditch."

I do not doubt at all their sincere concern for the industry, on which we unabashedly pin so many hopes in the conditions of economic crisis. And perhaps, having turned over the hourglass of primacy between the sectors, we will indeed improve the state of affairs. The oil industry, finally heard by the government, will take away from geologists the rights to licensing, meetings with sweet foreigners from oil companies, presentations, and contracts.

The sand will quickly trickle down in the upturned glass bulb. And now the geologists, upset by the government's indifference to their agency, will begin to rant and rave, because the future of all the Kazakhstani mining industry depends on them.

Is this not true?

And that is why we will be very careful in offering advice—who should be given more rights regarding the Kazakhstani oil "pie." While voicing a firm conviction that the new legislative "baby" in the area of regulating relations around oil cannot be "delivered" without the oil industry—the "baby" will be born premature.

Armenia

Democratic Party Program Published

954F2629A Yerevan RESPUBLIKA ARMENIYA
in Russian 23 Jun 95 p 3

[Presentation by Aram Sarkisyan: "The Democratic Party of Armenia Presents Its Election Program"]

[FBIS Translated Text] In accordance with a decision of the Central Election Commission for Elections to the National Assembly of the Republic of Armenia of 24 May and the timetable confirmed on 10 June, we publish today material made available to us by the Democratic Party of Armenia.

We would mention once again that the material is published without any editorial emendation.

According to a decision of the Central Election Commission, we provide a forum for the presentation of its election program to a participant in the National Assembly elections—the Democratic Party of Armenia—and its chairman, Aram Sarkisyan.

The Democratic Party of Armenia (DPA) was formed on 18 December 1991. In terms of its ideology and modus operandi, it is a social democratic party. It unites workers and employees, the intelligentsia, representatives of the middle generation, and a multitude of young people who prior to this had not been members of any party. The party was formed after the previous elections, and for this reason has no representatives in the present Supreme Council: We preferred not to take the path of others and not to recruit deputies who had already been elected and who have suddenly revealed themselves to be "democrats." We are sure that after the new elections we will be represented in the National Assembly.

National state interests, realization to the greatest extent of the principle of social justice, and the consistent implementation of economic and sociopolitical reforms are the priorities for us. We are prepared to put at the service of the cause of governance of the state the party's intellectual potential and to assume for this our share of responsibility, for the sake of which we are, in fact, taking part in these elections.

How do we see the situation, and where is our country headed?

The rapid collapse of the USSR and the disintegration of the political system had devastating consequences primarily for Armenia. The situation was made worse by the fact that, using the national liberation movement in their own interests, politically immature people, lacking the indispensable knowledge and experience of governance of the state, who did not know how the old

system should be replaced or with what, and who for this reason simply demolished it, came to power.

Instead of distinguishing a transitional stage and drawing up a special constructive program, the present authorities attempted in self-oblivion to copy well-known economic models. Having rejected the achievements of the previous system, particularly in the social sphere, and the salient features of the republic that had already taken shape, they relied fully exclusively on the spontaneity of the "free market," whose realization has led to social catastrophe.

Such a situation would not have arisen had the latter-day rulers pooled the collective national intellect of the people, determined in conjunction with influential political forces national problems, and devised and implemented a practicable program.

In reality, however, the executive was formed merely on the principles of personal devotion and protectionism, not on the basis of consideration of high practical qualities. The consequences of this are here for all to see: The country is wallowing increasingly in economic and political crisis, and a process not of the "formation of the state" but of unchecked plunder and the appropriation of public wealth and its accumulation in the hands of a bunch of rich men and nouveaux riches protected by the authorities and their satiation thanks to the incredible impoverishment of the millions-strong masses is unfolding. This has brought about an extremely dangerous and explosive social polarization.

The authorities have discredited themselves by their unconcealed coalescence with the shadow market and criminal structures. Having destroyed industry, agriculture, and the cultural and spiritual sphere, and in their aspiration to avoid responsibility, "justifying" by the blockades and the war all that is being done now, the present rulers have made the private-ownership relations that are taking shape absolutely uncontrollable. A situation where honest economic management has become impossible and pointless has come about. The drain overseas of national values, which is uncontrolled and which is assuming monstrous proportions, continues. Prices are growing uncontrollably. Our motherland is on the verge of becoming a raw materials appendage of foreign capital and a market for the sale of low-grade foreign goods. And what is most unforgivable is that instead of strengthening national unity under such conditions, the authorities, and particularly the president of the republic, are pursuing a policy of dividing the people and implanting hostility and confrontation and seeking in every way, more precisely, creating, an "internal enemy" image, making the opposition the scapegoat, introducing discord, and setting parties and political forces

against one another. Quarrels have arisen even in the formerly united ranks of the ruling team. The country cannot be gotten back on its feet this way; this is the way merely to prolong the political death-throes of the ruling party. A little while more, and there will be nothing left in Armenia to save.

But we believe that there is still an alternative to such development.

We propose the drafting of a socially oriented economic model of the transitional period corresponding to the salient features of Armenia, which, together with consideration of the experience of other countries, should, for all that, be our, native, model. The state should preserve its regulating and coordinating role in the business of the gradual reform of the economy. Work conditions and starting opportunities for becoming a proprietor equal for all, the unrestricted combination of all forms of ownership, and healthy competition would be secured as a result. The creation of a modern diversified economy with efficient and developed private and collective sectors—this is our goal. Our slogan is "The market to the extent that it is necessary!" The market is not an end in itself; it should serve the well-being of the people.

The management mode usually called "Swedish socialism" has brought prosperity to many European countries—Austria, Germany, Spain, Finland, Norway, Denmark. It is this model that is being practiced by many countries of the former socialist community—Hungary, Slovakia, Poland, Bulgaria, Lithuania, Moldova, and others. Armenia also should be a part of this highly promising process approved by historical experience.

The state's most important role in guaranteeing the security and dignity of its citizens should be returned to it. State officials must be responsible to the people and respect public opinion. We support all the steps that support the creative steps of true businessmen and will create for all citizens the opportunity to live a decent life on an honest income. We will express the interests of the national minorities and participate actively in the drafting and adoption of a special law on national minorities. We will conduct an open and implacable struggle against the danger both of the criminalization of the country and its conversion into a police state, and we will endeavor to ensure that Armenia not become a country rent by social contradictions. Contradictions can be eased by way of the pursuit of a judicious and balanced tax, social, and anti-trust policy. This will bring about an enlargement of the middle class, which will ensure political stability, create the conditions for unswerving economic growth, and help the material and

spiritual prosperity of the country and the development of science, education, and culture.

Our viewpoint concerning constitutional development is as follows: We believe that at this transitional stage and in the foreseeable future, Armenia should constitutionally be a parliamentary republic with a strong and efficient executive and consummate and truly independent judicial authorities, in which the super-concentration of the entirety of power in single hands and the danger of the establishment of a dictatorship would be excluded. We are opposed to government asserting the uncontrolled power of the president, whose bitter fruit we are gathering at this time. I call, therefore, for a "no" to the draft constitution which the authorities want to impose on the people by force. Such a constitution, particularly given its forcible implementation, simply could not serve as the basis of the stability of society; on the contrary, it contains an extraordinarily great destabilizing charge, inasmuch as it attempts to legislatively enshrine the unbounded arbitrary actions of the present authorities and to perpetuate their inglorious rule.

Our goal is realization of the principle of social justice. We believe that even in these difficult times, the population may be assured the purchasing power for the minimum consumer basket and a guaranteed subsistence minimum. We consider it amoral that in the guise of a money swap, the state robbed millions of its citizens of savings accumulated over decades and, after this, afforded various tricksters an opportunity to appropriate the remaining deposits. We will fight in the National Assembly to ensure that the amounts stolen from the citizens be formalized in both cases as its domestic public debt and that the state assume responsibility for their gradual payment as soon as possible, starting this year, at the 1990 dollar price, what is more.

Considering unemployment the greatest social evil, the DPA will present to the National Assembly a special program for regulating it.

Similar programs will be presented on questions of state protection of the family and the youth, the actual equality of men and women in economic and social life, and an increase in the social role of women.

Our party will in the National Assembly participate most actively in the building of the state's relations with other countries. As unconditional supporters of the independence and a strengthening of the security of our state, we believe that vital interests require the speediest restoration of economic and political relations with all republics of the former USSR, primarily with our traditional friend—the Russian Federation. We support the creation of an economic union with Russia and other republics, and a military-political alliance with other

countries that strengthens our national-state security would be acceptable to us.

We have our particular approach to the problem of Artsakh also. We advocate the speediest termination of the war and a peaceful and just resolution of the problem. We understand by this a three-in-one solution: definition of the status of Karabakh, that is, recognition of its independence; discussion of the forms and the extent of the return of the Azerbaijani territory captured by Karabakh forces; an end to the blockade of Armenia and Karabakh. All this should be decided in aggregate by means of negotiations. We reject the dangerous slogan, "Territories in exchange for peace" and do not recognize any change in the status of the Nagorno-Karabakh Republic, inasmuch as only this people are competent to change a decision adopted by them earlier.

The Democratic Party of Armenia has both immediate and long-term action programs for all spheres of our life and the vital activity of the state. It is impossible to describe them thoroughly in the extremely cramped framework of one newspaper article. Our party contains a large intellectual force, which includes figures of culture and dozens and dozens of scholars—academicians, doctors, professors, even more candidates of sciences, specialists of agriculture and other spheres, and students. To the extent that we are a party of today, so are we to the same extent and even more a party of tomorrow. We have struggled and will continue to struggle to ensure that our country become a genuinely democratic state based on the rule of law and occupy its deserving place in the community of civilized nations. Our entire policy will be geared to a revival of the national character of our people. All this will, of course, take a long time. But it is essential that the work begin immediately. It is for the sake of this goal that we are taking part in the National Assembly elections, and we are confident that in terms of the mandate of the electorate, we will be worthily represented in it. We have the possibilities, forces, and readiness to get down to painstaking legislative business.

Economic Reform Progress Surveyed

954F2630A Moscow DELOVOY MIR in Russian
21 Jun 95 p 5

[Report by DELOVOY MIR staff correspondent Murad Sarkisyan: "Economics 101: The Instructor Is..."]

[FBIS Translated Text] YEREVAN—The economic reform is gathering momentum in Armenia. Serious transformations are taking place in the society, whose significance is hard to overestimate. Hundreds of thousands of yesterday's hired hands are becoming proprietors. The state sector, omnipotent in the past, is shrinking, giv-

ing way to forward march of the mixed and private sectors.

Land has long become peasant's property. Privatization of housing is nearing completion. Before the end of this year, about 3,000 trade and household services facilities will be transferred to private ownership. "Heavy artillery" has joined the process—privatization of large enterprises began. A subscription campaign for stocks of more than 100 large and medium-size republic enterprises is under way. The reformers do not hide their jubilation. And overseas headquarters of international financial organizations are cheering too—the old economic system is fast collapsing. What more could one wish?

In the beginning of the reform, nobody asked any such questions in the republic. For some reason, it was accepted as a given that as soon as kolkhoz members and proletarians become property owners, they will immediately begin to put double effort in their work, somehow derive from somewhere the needed experience and knowledge, and overall will flood the market with all sorts of goods. Alas, many of these forecasts did not come true...

It turned out that a majority of the city population has almost lost the sense of ownership, and the sole privatization certificate, which each citizen ended up with after dividing the all-people wealth, can hardly make one into such. Things are no better in the countryside. Peasants turned out more conservative than had been assumed. They plow not the right way but the way they want to—or know how to; they sow whatever they can get their hands on, and care little about soil fertility. And why should this be a surprise? In the past, all these and similar jobs were performed by agronomists, livestock technicians, veterinarians, accountants, and other specialists.

Now none of this exists. Which means that individual owners must be taught to run their business independently and competently. Urban residents needs help in finding their place under the market "sun"—learn about securities, laws affecting entrepreneurial activities, and their rights and obligations.

The situation in this area in Armenia cannot be called satisfactory, however. The authorities do not have any—let alone clearly outlined and well-founded—programs for liquidating illiteracy. Judging by all signs, the government takes the position of noninterference in this matter. In its opinion, demand should generate supply. An empty niche always gets filled fast. Private company have jumped into the "liquidation of market illiteracy." Each does it the best way it knows how, as a result of which the effectiveness of work, despite the effort and

money expended, is quite low. There are among them state organizations—for instance, the Yerevan Radio, which regularly covers the progress of privatization of property. Our colleagues unquestionably sincerely wish to help their listeners; nevertheless, the most burning questions remain unanswered: Where precisely to invest a voucher; will this or that enterprise go bankrupt; and what kind of dividends can they count on?

Private radio station Ay FM, broadcasting in the frequency range that previously belonged to the military, also makes its contribution in the business of enlightening the people. Its effectiveness is not very high either, however. First and foremost because Ay FM has a rather limited audience—it is impossible to get this frequency on regular radio receivers. And also, the talk here mainly revolves about the benefits ordinary people can reap from investing their vouchers in businesses. The bulk of the republic population, however, already is quite supportive of private property, and there is no need to constantly persuade it. People thirst for more substantive conversation about their burning problems. Alas, the station is not up to the task.

And here is another organization—from faraway California, which in its own manner is helping inhabitants of Armenia to sort out the intricacies of privatization. The pen brotherhood learned about it for the first time a couple of months ago, when the mysterious acronym RBN [expansion unidentified] appeared among the organizers for the prime minister's scheduled briefing. It turns out, however, that it had been operating in the republic for quite a while and, according to the minister of economics, already has managed to receive \$0.5 million as part of some Western credit for enlightening the "natives." Where this money—quite substantial by local standards—went and what are the results of the work of overseas consultants, journalists were unable to ascertain.

In this respect, I think, it is worth mentioning the joint efforts of VREMYA and LRAGIR newspapers, as well as SNARK information agency, which publish

dedicated pages on the course of economic reforms in Armenian and Russian. They are interesting to read, the materials are written in lay language. However, even here one finds the proverbial tar in the honey. It is first of all the newspapers' small circulation—5,000-10,000 copies. Also, naturally, not all information materials, collected on the principle "a bit from everywhere" is "on target."

The only professional among the organizations that undertook this onerous business is Aygtaamaspyur, created by the U.S. and Armenian ministries of agriculture and engaged in spreading specialized knowledge among the republic's peasants.

The significance of this enterprise is hard to overestimate also because the countryside is currently on an information starvation ration. Because of the energy crisis, television does not reach there, and far from all have radio receivers. Let alone newspapers and magazines. People do not get them for weeks in some places, which, of course, has its effect.

But especially troubling is that being separated from the "mainland" also affects production of agricultural commodities, which are sorely needed by Armenia. In over two years of its existence, Aygtaamaspyur did a lot to fill the gaps. For instance, consulting agencies have been set up in 28 districts; staff consultants work in almost 40 villages, aided, in addition to organization's central staff, by highly skilled agronomists, livestock technicians, and veterinarians. They are frequently augmented by American specialists who show peasants on site—frequently at Aygtaamaspyur plots—state-of-the-art methods of running an agricultural enterprise.

Of course, those with fat wallets will find a consultant if needed. But this will no longer be just demand stimulating supply, as Armenian authorities fervently hope—this will be solvent demand, which so far is not a major factor in Armenia. The bulk of the population is still left to rely on rumors.

Estonia

*Estonia's Defense Chief on Problems of Meeting NATO Standards

954K0611A Tallinn PAEVALEHT in Estonian
5 Apr 95 p 6

[Interview with Aleksandr Einseln, commander of the Defense Forces, by Marek Dreving; place and date not given: "Aleksandr Einseln: 'In Estonia, Not Much Interest Is Shown in State Defense'"]

[FBIS Translated Text] *Major General Aleksandr Einseln, commander of Estonia's defense forces, rates the current state of Estonia's forces to be primitive compared to the West. Compared to other states created or restored within the area of the former Soviet Union, however, he sees Estonia's development to be ahead by several years.*

It is still a far cry from the much-talked-about NATO standards, to which the equipment and performance of Estonia's forces must conform before it can join that organization.

The primary reason for not having a decent defense concept, in Einseln's opinion, is the lack of activity on the part of the state defense commission in the last Riigikogu (Estonia's parliament).

PAEVALEHT asked Major General Aleksandr Einseln, commander of the defense forces, what the current deficiencies of Estonia's defense forces are and to what they are attributable.

In the development of the defense forces, Einseln thought, we are currently ahead of all parts of the former Soviet Union and as much or even more ahead of the economy.

"Estonia's defense force is the most Western by far, and it is gradually becoming more Western every day," Einseln said.

The deficiencies, he said, are certainly not attributable to money alone; building up a defense force takes both economic resources and time: "New personnel cannot be trained overnight, any more than one could get through college in two weeks."

"Our monetary resources are so meager that out of this year's budget, not a red cent was received for the Navy or the Air Force. What is one supposed to use for building them up?" Einseln asked. "We cannot make them out of thin air."

"Estonia wants to become a member of NATO. To become a NATO member, however, we would need to have certain units and certain equipment so that we could participate in NATO exercises and preparations.

One cannot participate in exercises by sending only observers on board some other state's ship," the commander of defense forces said.

He said that enough money has been received to repair a ship for the summer, but there is no money for communications equipment or training the crew, not to mention the Air Force.

Getting into NATO, however, takes more than equipment. Einseln names the four basic rules for getting into NATO as follows: an irreversible road to democracy; subordinating the military to civilian control; separating the military from services backing the state's internal security; and interchangeability and compatibility of military equipment and communications with that of other NATO members.

Meeting NATO standards means that we have to be ready to act together with them. That means, for example, that a NATO plane should be able to land and tank up on any airfield of a NATO member state; the equipment has to be compatible. The most important part is the compatibility of communications, and we are still a long way from that," Einseln said.

[Dreving] NATO is conducting 10 rounds of training this year, in which Estonia could participate. We only plan to participate in three. Is lack of money the primary reason here, too?

[Einseln] Lack of money is indeed the primary reason.

[Dreving] Can Estonia participate adequately in these three, or is it more like a case of sending our observers?

[Einseln] Some will go as observers, others as participants. Participating in NATO training is more like staff training. They usually have some kind of staff plan, a scenario to go through, and that is really necessary.

The greatest shortage we have is that of good staff officers. The few we do have were trained under the Soviet system, but what was taught then cannot be used now, because it clashes with the NATO system.

[Dreving] Several states (Sweden and the United States, a bit earlier) have confirmed that they are ready to sell arms to Estonia and other Baltic States. Have any concrete plans been made for this?

[Einseln] I have made no plans. First we must know what their rules are. I am sure that the United States, for example, has certain equipment that we would like to have—helicopters, for one. We could certainly use helicopters, even for rescue operations.

At the same time, we cannot look at the purchase price alone, but at the expenses that go with it. We may buy a cheaper helicopter but pay more for its upkeep.

[Dreving] Much has been said about the fact that Estonia does not have a defense concept. What is holding it up? Who should be showing the initiative?

[Einseln] In the democratic states—of which Estonia is clearly not one yet—the development of state defense is directed by representatives of the people. Thus, it would be the defense commission of the Riigikogu. In the West, the parliament of every state has its defense commission in some shape or form, and these defense commissions are the ones that develop the state's defense concept that supports the goals of the state.

What are the state's goals? If one of our state's goals is joining NATO, for example, then we have to determine how to get there, what we have to have for it militarily.

The next step would be to decide whether we want a professional army, an enlisted army, or some combination of these.

This depends on several factors, but above all, it depends on the wishes of the society. After all, it is an enterprise paid for by the people.

For all practical purposes, however, there is no dialogue on any of this right now. Very little interest is shown in state defense at this time. Since developing defense forces is a very expensive proposition, there should be more interest. Actually, the military should also be viewed from the business point of view: how to reach the objective most effectively and with the smallest amount of money. Unfortunately, there is no such discussion in Estonia.

There are other questions coming into play here. For example, does it make sense for everybody to serve in the army?

Before we even get to the question of whether we should have an enlisted or a professional defense force or some combination thereof, there are three basic questions we need to answer.

The first is perhaps the easiest to answer: If we have an enlisted army, should women also be enlisted? I believe that Estonian society's answer to that one is "No," but then we will also have to clarify why. Women do serve in Israel, but they have a different society and different circumstances.

The next question is a bit more difficult, but it also needs to be discussed openly. What do we do with the Defense League? We do have the Defense League, but should it stick to its present charter (which dates back

to before World War II)? Or should it be changed or adjusted?

What should be the role of the Defense League? It is clear that the Defense League is here to stay. The question is: in what form?

The third question is very difficult, and almost no one wants to talk about it. Even before elections there was no discussion on this issue. Namely, what are we to do with the nearly 40 percent of non-citizens, who do not speak Estonian, and who cannot serve in the Army? What will become of these young men? Should there be some alternative service for them?

Let us look at some of the scenarios of what could happen if this issue is not resolved. Do we want to integrate them into Estonia's society?

Already there are problems in the Army with those who are Estonian citizens but who do not speak sufficient Estonian. Every unit has some 10 to 15 percent of soldiers who cannot answer the simplest question in Estonian or cannot understand it, but they are Estonian citizens who have to serve.

Lately there has even been talk about cutting down the length of service, and this certainly could be done. However, let us say there is an Estonian citizen who grew up in a Russian-speaking environment; right now, he has a chance to learn Estonian in the Army during the year, provided he wants to. Some of them are reluctant, of course. If we cut down on the length of service, this could be detrimental because their learning time would be cut short.

All these things would have to be discussed, and that cannot be done with slogans. Some things may change now that we actually have Russian-speaking representatives in the Riigikogu.

How can we even start speaking of a defense concept for the state after we have excluded 40 percent of the people living in the state?

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Coming back to the issue of being admitted to NATO, the commander of defense forces said: "If you want to play in the sandbox with the big boys, you have to have big boys' toys—not as many as they have, but the same kind. NATO is not a game we can play. All these things are expensive; preparation takes time, and upkeep takes money."

The purchase price of a plane, for example, represents only a part of the necessary money; along with it are other, very large expenses for training, maintenance, etc. Nobody in Estonia has really figured out how much all of this will cost.

"We do not have to have destroyer planes or large warships—this is out of the question—but we lack even the most primitive things: communications equipment, ammunition, means of transportation," Einseln said.

"That is not to mention furniture in this office. I do not need it, but sometimes it can cause embarrassment for foreign visitors: I would not want to have them wind up on the floor! I do not buy new furniture because sometimes I think I may even wish that some of them would fall so they would see what the situation is really like here."

Military units are still considered to be the first priority to the commander of the defense forces: "In some places, the living conditions in the units are still very poor, but in others they are quite good already, and even better than they are in the West."

"We have to build up the training center at Paldiski. We do not have a single penny for that. We will also have to arrange all kinds of courses, from driving to communications. All that takes money and the right people. To get these people, we rely heavily on the Technical University," remarked Einseln, returning to the money problems.

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[Dreving] Should the percentage of the state budget allocated to defense be bigger than it is?

[Einseln] Certainly. In developed countries, state defense gets two to three times more, but they have had decades to develop their state defense. Right now, all they have to do is to maintain that level. We started from scratch.

[Dreving] How big should that percentage be?

[Einseln] I do not want a penny more than necessary, because I know that money is needed everywhere, but I can also see that sometimes it is wasted or used ineffectively. Some ministries and agencies, for example, duplicate one another.

Besides, we have not really had a Defense Ministry, because defense ministers have been changing very fast. This is not conducive to effective cooperation. Lack of cooperation is not only a problem between the Defense Ministry and the General Staff; it can also be encountered elsewhere. This is not deliberate; it comes from a lack of experience.

In every state, there are certain things that have to remain above all kinds of internal politics, personal, and party interests. One such thing is the foreign policy of a country, and another is certainly its defense policy.

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